BC hydro

Corporate Business Plan

For the period April 1, 1990 to March 31, 1993

proud of our Service

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CORPORATE BUSINESS PLAN
for the period
April 1, 1990 to March 31, 1993

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Meeting Challenges Through Innovation

There are many specific strategies contained within the three years of this Corporate Business Plan that begin to position B.C. Hydro for the year 2000 and beyond. All of these strategies support our four corporate objectives and are driven by three key challenges:

To maintain a balanced approach to development.

This plan documents specific, strategic innovations that address this challenge in the context of corporate environmental policy and through a comprehensive approach to alternative energy options involving both supply and demand.

To improve the responsiveness of the Corporation to the marketplace.

Innovative strategies in the areas of customer satisfaction, power quality and system reliability will contribute to meeting the challenge of improving our response to the needs of the marketplace.

To increase Corporate efficiency.

Strategic innovations that are focused on productivity gains through human resource development, technology or by exposing the corporation to the competitive forces of the market, and on sound financial management practises, all contribute to improved corporate efficiency across the plan period.

Common to all of our efforts will be the need to communicate these challenges to the people of British Columbia, particularly on issues that impact on the environment, and to actively solicit their input into the decisions that will be made to address these challenges.

L.I.(Larry) Bell
Chairman and Chief Executive Officer

The Business of B.C. Hydro

B.C.Hydro was established in 1962 through the merger of several public and private utilities. Its mandate was to assist British Columbia's future economic growth by developing the relatively untapped major hydroelectric resources of the province in order to provide an efficient, reliable and competitively priced source of electricity. During the intervening three decades B.C. Hydro has developed the Columbia and Peace River systems and now has a total capacity of over 10,000 MW made up of thirty hydroelectric, fifteen diesel, one thermal and two gas turbine facilities. Approximately sixty-five percent of this capacity is generated by the Mica and Revelstoke stations on the Columbia river and the G.M. Shrum and Peace Canyon facilities on the Peace river.

B.C.Hydro enters the 1990s as Canada's third largest utility, serving more than 1.2 million customers ranging in variety from heavy industry to rural farms to suburban households. The majority of B.C.Hydro customers are served by the corporation's modern hydroelectric plants linked together by an extensive system of over 17,000 circuit kilometres of transmission lines. The few remote communities not connected to the integrated grid are served through small local generating plants.

The corporation remains unique as a utility in that it is almost entirely hydroelectric based and renowned internationally for its expertise in building hydroelectric projects on some of the most diverse and complex river basins in the world. To date, B.C. Hydro has developed approximately one quarter of the hydro and thermal electric generation potential of the province. B.C. Hydro remains committed to its approach of pursuing a variety of energy alternatives in order to minimize the environmental impact of meeting the growing demand for electricity in British Columbia. Only a portion of the potential of these alternatives has been confirmed with sufficient certainty for inclusion in the 1990 Electricity Plan.

Planning Framework

B.C. Hydro is organized around three strategic business units--Production (the generation and transmission of electricity), Customer Service (the distribution of electricity to customers) and System Development (engineering services for planning, project management, design and construction of the electrical system). These units are supported by three corporate service groups--Finance and Administration, Corporate and Environmental Affairs, and Human Resources. In addition, there are five wholly-owned subsidiaries --Powerex (export marketing), BCHIL (marketing engineering services within Canada and abroad), Powertech (research and testing services), Westech (information systems development) and Western Integrated Technologies (computer processing and networking).

The business planning process in B.C. Hydro requires each of these units to develop an annual strategic business plan. The strategic plan focuses on how each unit will help to achieve B.C. Hydro's corporate mission statement and objectives. Each unit assesses its strengths, weaknesses, opportunities and threats and develops specific strategies to address these issues. In addition, as part of this planning process, each unit is required to develop a set of relevant performance measures for monitoring the progress made towards implementing strategy.

This Corporate Business Plan represents a summation of the detailed plans produced by the business units and the subsidiaries. It provides a company-wide view of major strategic initiatives that are being implemented across the plan period. The document also sets out the financial resources that will be required to implement these various strategies and incorporates them into a three year financial plan.

Key Performance Indicators

One of B.C.Hydro's management principles is to be results oriented. This principle is being implemented at all levels of the organization through the development of key performance indicators----management tools for measuring and evaluating progress in accomplishing objectives.

In this Corporate Business Plan, key performance indicators have been developed for the major corporate strategies and initiatives and are displayed graphically with each initiative. Targets for each performance indicator are set within a range, defined as follows:

- EXCELLENCE: Superior performance achieved by working and managing at optimum levels.
- EXPECTED: Average or most probable level of performance.
- MINIMALLY ACCEPTABLE: A minimum standard which signals the need for action to improve performance.

Corporate Vision

B.C. Hydro's mission, objectives, values and principles provide the framework around which the business plan of the company has been constructed.

Corporate Mission

The mission of B.C. Hydro is:

> "To support the economic growth of British Columbia through the efficient supply of electricity."

Corporate Objectives

B.C. Hydro has established four corporate objectives in support of its mission statement:

- To maximize its contribution to the economic development of B.C.
- To be the most efficient utility in North America.
- To be recognized by our customers as a superior marketing and customer-service company.
- To be one of the best employers in B.C.

All corporate strategy is intended to align itself with and support the company mission statement by specifically aiming to achieve these four objectives.

Corporate Values

Individual employees of B.C. Hydro share the following common values:

- Integrity: Our actions match our words.
- Commitment: Our enthusiasm is contagious.
- Teamwork: We work together towards shared goals.
- Innovation: We try new ideas and learn from our mistakes.
- Empowerment: We have freedom to act and we do.

These values create a working environment that is supportive of the mission statement and objectives and that promotes leadership and achievement by all employees.

Management Principles

Managers at B.C. Hydro are encouraged to be:

- Results oriented
- Market competitive
- Excellence driven
- Environment and Community sensitive

Corporate Motto

Together all B.C. Hydro employees share a common united vision of the company's purpose and reflect this in a motto that says:

Proud of Our Service.

Strategic Planning Climate

Economic Forecasts

As with any company, B.C. Hydro's business plans are influenced by the external economic environment. Over the three year horizon of this business plan, British Columbia's population is expected to grow at an average of 2.3% per year and the provincial economy, as measured by Gross Domestic Product, is forecast to experience average annual real growth of 2.2%. Extending these projections out to 1999, population growth is expected to average 1.6% and Gross Domestic Product to average 2.8%.Other key economic parameters forecast in the planning process include the inflation rate, interest rate, U.S. dollar exchange rate, housing starts and the change in new capital investment.

	1991	1992	1993
Inflation Rate	5.5%	5.8%	4.3%
Interest Rate (91 day T-Bill)	12.5%	10.5%	9.75%
U.S. Exchange Rate	$0.82	$0.80	$0.80
Real GDP	3.0%	1.5%	2.0%
Population Growth	2.4%	2.3%	2.1%
Change in New Capital Investment	+12.5%	0.0%	+5.0%
Housing Starts (in thousands)	40	29	30

The significance of these growth and economic factors can be best illustrated by looking at the impact incremental changes can have on B.C. Hydro's net income.

	Incremental Change	Impact on Net Income
		$ millions
Sales Price (cents/kW.h)	+1/10 cent	+ $41.0
Sales Volume (GW.h)	+1%	+ $18.0
School Taxes (cents / $ of assessed value)	+1/10 cent	- $ 5.0
Interest Rate	+1%	- $15.0
Exchange Rate	+1 cent	+ $3.7
Inflation Rates:		
Salary/Wages	+1%	- $1.9
Materials	+1%	- $1.5

Throughout this business plan, innovative strategies have been designed to counteract the negative and take advantage of the positive implications of these changes. For example, the recent sale of the Head Office building was timed to take advantage of high real estate prices in Vancouver. The continuing high level of the Canadian dollar and Canadian interest rates have prompted renewed utilization of the U.S. debt market. In addition, B.C. Hydro's staffing strategy of supplementing a core group of permanent employees with temporary employees and contract workers is intended to provide flexibility and avoid layoffs in the event that revenues are lower than anticipated.

Provincial Energy Assessment

Historically, a 1% growth in real Gross Domestic Product has translated into a 1.2% increase in electricity consumption in British Columbia. B.C. Hydro's current Electric Load Forecast anticipates that this trend will continue in the early 1990s.

Domestic electricity sales are projected to increase from 39,100 GW.h in fiscal 1990 to 43,948 GW.h in fiscal 1993 for an annual average growth rate of 4.0%. The Power Smart Programs are expected to reduce demand by approximately 968 GW.h by the 1993 fiscal year, thus moderating the annual average growth rate for the three year period to 3.3%.

Residential sales, which account for about 28% of total sales, are projected to grow at a slower rate than the commercial and industrial sectors. Continuing efficiency improvements in appliances and the Vancouver Island natural gas pipeline are two reasons for the conservative growth projections.

General sales include mostly commercial and smaller industrial customers and account for about a third of total sales. Electricity consumption in the commercial sector, particularly trades and services components, is projected to continue to grow as efficiency improvements in lighting and motors are being offset by relatively new applications such as office automation.

Transmission sales are primarily to large industrial customers and include some of the larger commercial accounts. Sales in this category are projected to grow faster than the residential and general categories over the next three years primarily due to the continued expansion in the pulp and paper industry. Sales to the mining sector are expected to decline slightly.

PROBABLE DOMESTIC SALES FORECAST BY RATE CATEGORY

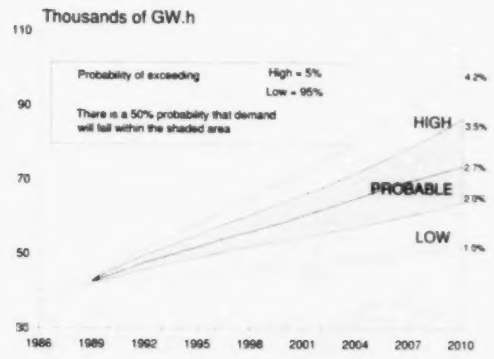
(GW.h)

	Residential	General	Transmission	Other	Gross Sales	Power Smart	Net Sales
1990 Actual	10,880	12,661	14,463	1,026	39,100	70	39,030
1991 Forecast	11,417	13,221	15,050	1,681	41,219	271	40,948
1992 Forecast	11,583	13,629	15,805	1,765	42,782	614	42,168
1993 Forecast	11,865	14,125	16,305	1,653	43,948	968	42,980
AVERAGE ANNUAL GROWTH (%):							
1991 over 1990*	4.9	4.4	4.0	63.8	5.4	387	4.9
1991-1993 period	2.9	3.7	4.1	17.2	4.0	140	3.3

* The higher level of sales growth in 1991 over 1990 is partly due to the warmer weather conditions in 1990 and the assumption of a return to normal weather in 1991.

Inherent in the Electric Load Forecast are uncertainties relating to future economic conditions and energy-related technology advancements and their relationship to future electricity consumption. To recognize the uncertainty in load growth, this document projects a range of forecasts showing the confidence bands around the probable electric load.

Range of Forecast Demands



Electricity planning is not an exact science and the risks associated with investments to meet uncertain future needs are significant. The resource development strategy must protect against both the risks of over-supply and under-supply. Over-supply risks occur when projects are built too early, potentially causing energy surpluses. Under-supply risks occur when projects are not built in time and higher cost options must be utilized to meet demands.

There are three basic elements in B.C. Hydro's risk management strategy:

- Under-supply risks are reduced in part by bringing projects to shelf-ready status. This reduces lead times from project approval to project in-service.
- Over-supply risks can be reduced by marketing surplus electricity to the United States. Another strategy would be to offer temporary discount rates to encourage economic development.
- Balancing of these risks is achieved through an on-going review and monitoring process of all current alternatives. The introduction of a portfolio of supply and demand options further reduces the total risk level.

The 1990 Electricity Plan outlines B.C. Hydro's options for resource acquisition in the 1990s to meet the future demand for electricity in a manner that is financially responsible, supports economic growth in the province and is environmentally sound.

During the three year period covered by this business plan, the B.C. Hydro system will be in resource balance where the demand for electricity equals the capability of the system to supply it on a firm basis. There is no surplus firm energy and B.C. Hydro is turning to a variety of energy options including efficiency improvements to existing resources, demand management programs, co-ordination with neighbouring utilities and purchases from private sector producers.

Public Consultation

The variety of innovative options depicted in the Electricity Plan combined with a heightened awareness of environmental issues has increased the complexity of B.C. Hydro's planning and magnified the requirement for broader input to the process. More and more, B.C. Hydro is looking to the people of British Columbia to provide this input to the planning process. This is happening through the corporation's public consultation program which has the overall objective of providing opportunities for meaningful public participation in the planning of projects. Public ideas and concerns are identified through direct discussions with individuals, interest groups, the general public and local governments. Information gathered in the process is carefully reviewed and incorporated into the decision making process where applicable. By being proactive, B.C. Hydro is attempting to mitigate potential negative social, economic and environmental effects of electricity generation and distribution.

STRATEGIES

The strategies, and their performance indicators, that contribute to the accomplishment of B.C. Hydro's four corporate objectives have been grouped according to their innovative solutions.

- Environmental and Energy Innovations are focused on meeting the challenge of maintaining a balanced approach to development.
- Customer Service Innovations address the challenge of improving the responsiveness of the corporation to the marketplace.
- Market, Human Resource, Technology, Workplace and Financial Innovations are directed a. .he challenge of increasing corporate efficiency.

Environmental Innovation

B.C. Hydro's Board of Directors recently passed a resolution that states "**In carrying out its business, B.C. Hydro will minimize the adverse effects on the natural and social environment and actively pursue opportunities to manage our resources for the benefit of present and future generations**." In addition to maintaining a core staff of environmental experts, numerous environmental programs and initiatives are being implemented throughout the organization and an environmentally conscious ethic is growing rapidly among all employees. A special fund is under study that would support significant environmental projects. The fund would be used to make environmental improvements to a number of existing B.C. Hydro sites.

In a few cases, such as vegetation management where biocontrol is reducing ongoing maintenance costs, environmental initiatives are generating actual dollar benefits. For the most part, however, the monies being spent on environmental programs will increase the net cost to the company. B.C. Hydro views these increases as a very necessary part of doing business in a socially responsible manner.

Electricity Pricing

Why is electricity pricing included in a section dealing with the environment? Perhaps the best answer to this question can be found in the opening remarks made by B.C. Hydro's Chairman at the rate application hearings held in February 1990:

"**...this hearing is a hearing on environment and not rates. There is no prospect of generating energy at zero cost in economic terms or in environmental terms. So, the challenge is to minimize impact through a number of initiatives which include price.**"

The series of annual rate increases requested by B.C. Hydro is one means of promoting energy conservation and thereby reducing the environmental impact of the future actions necessary to meet the province's demand for electricity.

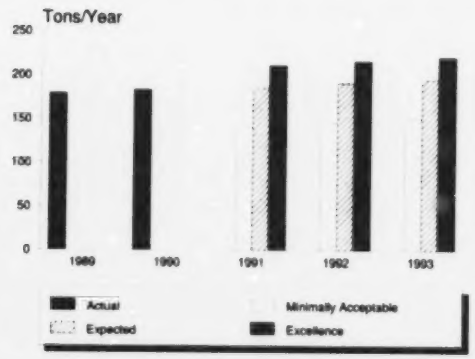
Another pricing issue that will be addressed in fiscal 1991 is rate restructuring. The present rate structure charges a lower average price per kilowatt hour as the amount of electricity consumed increases. As this approach does not promote conservation, new rate structures which raise prices as consumption increases will be considered.

Waste Management

Waste Management is a comprehensive approach encompassing not only the safe disposal of unwanted material, but also the minimization of waste generation and the recycling of reusable products.

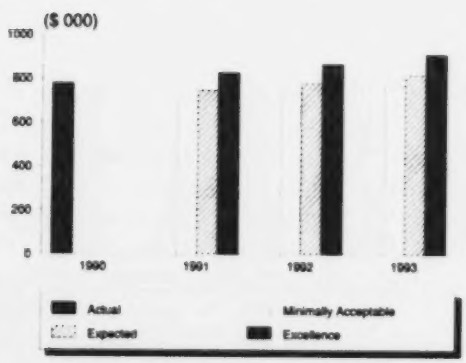
WOW stands for We-cycle Office Waste which is a program to recycle office waste paper. The program was officially launched at B.C. Hydro in January 1990 and the amount of paper being recycled is already 2,500 pounds per week.

Waste Paper Recycled



Another area where a recycling program is very active is scrap metals. Over the next three years, B.C. Hydro expects to recycle over $2.3 million worth of scrap metal.

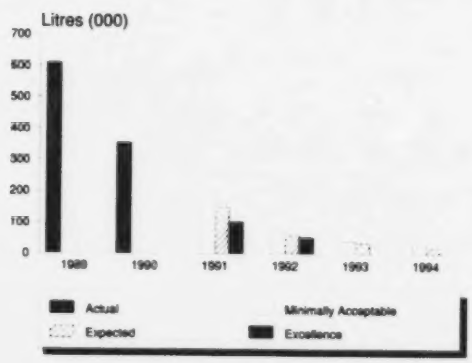
Scrap Metal Recycled



To complete the cycle, B.C. Hydro purchases recycled products such as paper and oil. In fiscal 1991, the company expects to use over 50 tons of recycled paper products and 150 tons of recycled paper in photocopiers. B.C. Hydro's vehicle fleet is already operating on 100% recycled oil.

The handling of PCBs continues to be a controversial issue. B.C. Hydro has an excellent record in the management of PCB waste material and in the treatment of PCB contaminated oil. To date, over three million litres of oil have been decontaminated at the company's facility in Surrey and over the next two fiscal years, it is expected that an additional 2.4 million litres will be treated. At that point, virtually all of B.C. Hydro's oil-filled equipment will be free of PCB contamination.

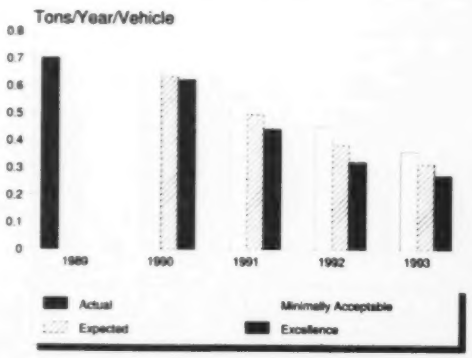
PCB Contaminated Oil in Service



Unless significant action is taken, air quality in British Columbia's Lower Mainland will continue to decline. B.C. Hydro is taking action to reduce atmospheric emissions at the Burrard Thermal Generating Plant and from its vehicle fleet. Burrard Thermal is a natural gas fired generating plant which, after a period of relatively low utilization in the 1980s, is playing an increasingly important role as a source of supply to the integrated electric system. Already one of the cleanest thermal plants in North America, significant capital expenditures are being considered for fiscal 1991 and beyond to further reduce its nitrogen oxide emissions.

Based on a report issued by B.C. Hydro's subsidiary Powertech Labs, a five year plan has been formulated to reduce exhaust emissions by 70% from our 670 vehicle Lower Mainland fleet. Over the five year period it is estimated that the planned actions will increase vehicle operating costs by $1.7 million. It is anticipated that other large fleet operators will consider similar measures.

Vehicle Fleet Emissions

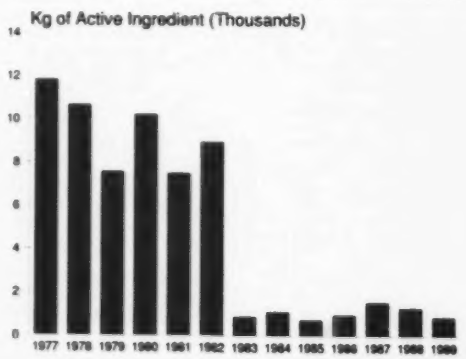


Land and Social Resources

Land and Social Resources initiatives focus on ensuring that the lands under B.C. Hydro's control are utilized in a productive and environmentally sound manner. Examples are innovative vegetation management techniques, encouraging secondary use of transmission line rights-of-way and the use of reservoirs for recreational and fish stock enhancement purposes.

Vegetation growing on transmission line rights-of-way must be properly controlled in order to reduce line outages and maintain system reliability. B.C. Hydro is relying less on the use of chemicals and more on biological control which involves the removal of tall-growing trees, leaving the lower growth undisturbed. A stable plant community of low-growing shrubs and groundcovers prevents the reemergence of tall tree seedlings. This approach clearly has less impact on the environment than chemical methods and in the long run it will reduce B.C. Hydro's cost of rights-of-way maintenance. Beginning in 1983, B.C. Hydro dramatically reduced its use of herbicides. As a result, the corporation now consumes about 1% of the herbicides used for industrial purposes. It is also important to note that consumption in this sector is less than in either the residential or agricultural sectors. Throughout the 1990s it is expected that usage will decline even further as selective herbicide application and non-herbicide vegetation management techniques are expanded.

Herbicide Use on Transmission Rights-of-Way

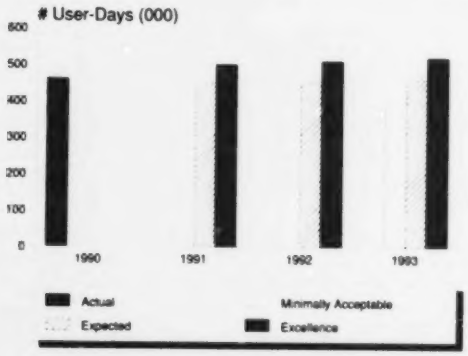


Secondary use of rights-of-way for activities such as Christmas tree farms, agricultural production and cattle grazing means that the land is being used more efficiently. Another way in which B.C. Hydro is attempting to make the most out of this resource is to look for other companies whose transmission or communication products can make productive use of the same rights-of-way.

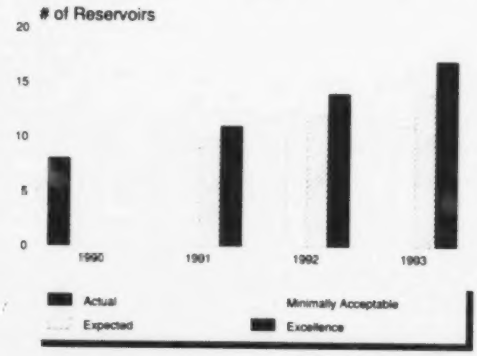
Over four hundred thousand people use B.C. Hydro recreation areas each year and we are looking at ways of increasing that usage. To this end, boat ramps, picnic areas and campsites are being developed.

The enhancement of reservoir fish stocks is another important environmental program. At present, there are enhancement programs on eight out of thirty reservoirs. Reducing the number of juvenile salmon passing through generating facilities during downstream migration provides a further opportunity to improve fish stocks. New and innovative techniques for diverting juvenile salmon away from generating facility intakes are being tested at Puntledge and Seton reservoirs.

Use of Reservoir Recreation Areas



Fish Stock Enhancement Programs



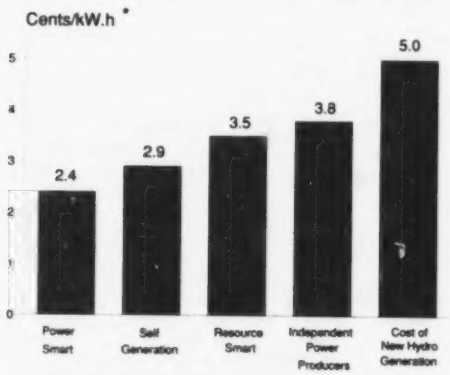
Electromagnetic Fields

There has been considerable public discussion over the last few years regarding the potential health affects of human proximity to electromagnetic fields. B.C. Hydro has recognized that there is widespread public interest in this issue and the corporation is following scientific developments, evaluating public and employee exposure, and participating in utility and technical forums on the subject. A full-time project manager has now been appointed to deal specifically with this important issue. In addition to internal technical experts, B.C. Hydro has also retained consultants with electromagnetic field expertise to assist in evaluating research and providing advice on this matter. B.C. Hydro is committed to search for a better understanding of electromagnetic field effects and has budgeted nearly $0.5 million in fiscal 1991 to address this issue.

Energy Innovation

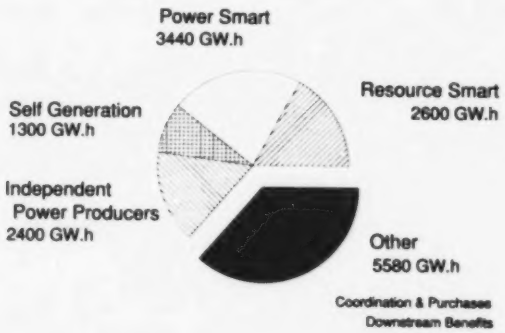
In the past, when British Columbia's demand for electricity began to approach the available supply, the solution most often pursued was to build large new generation facilities. Today, the primary objective is to look for solutions that minimize the financial and environmental impacts on the province. B.C. Hydro is pursuing a variety of innovative alternatives in order to meet the Province's energy needs in the 1990s and into the next century. Four of these key innovations are Power Smart, Resource Smart, Independent Power Producers and Self-Generation/Load Displacement. A significant proportion of the growth in future energy demand will be supplied by these approaches. B.C. Hydro will pursue those opportunities which offer a cost that is less than the cost of new hydroelectric generation.

Projected Long Term Average Unit Cost



* Power Smart and Self Generation unit costs include both B.C. Hydro and customer costs. Resource Smart and New Generation costs are incurred exclusively by B.C. Hydro. The IPP unit cost represents B.C. Hydro's estimated average cost and therefore includes both the IPP's cost and profit margin. IPP projects in non-integrated areas are not included in this estimate.

Projected Additional Energy
(Total of 15,320 GW.h in the Year 2000)

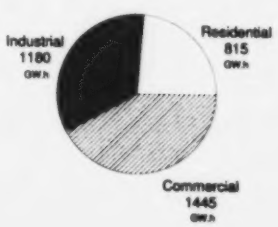


The extent to which the potential of each of these initiatives is realized will be strongly influenced by many factors including public and marketplace acceptance of their individual benefits.

Power Smart

One of the most environmentally friendly ways of balancing the demand for and the supply of electricity is to decrease the rate at which demand is rising. At B.C. Hydro this is being done through the Power Smart initiative. Power Smart encompasses over twenty individual programs which are designed to reduce the future demand for electricity by encouraging more efficient use of energy. These programs focus on three customer segments.

Power Smart Savings by Mkt. Segment
(Total of 3,440 GW.h In the Year 2000)



Residential

Residential programs are aimed at improving energy efficiency in buildings used primarily for residential occupancy. Some examples of these programs are "Quality Plus Homes" which certifies the energy efficiency and air quality of new homes and "Home Check Up" which provides rebates on energy efficient refrigerators and electric water heaters and on the conversion from electric to gas water heaters.

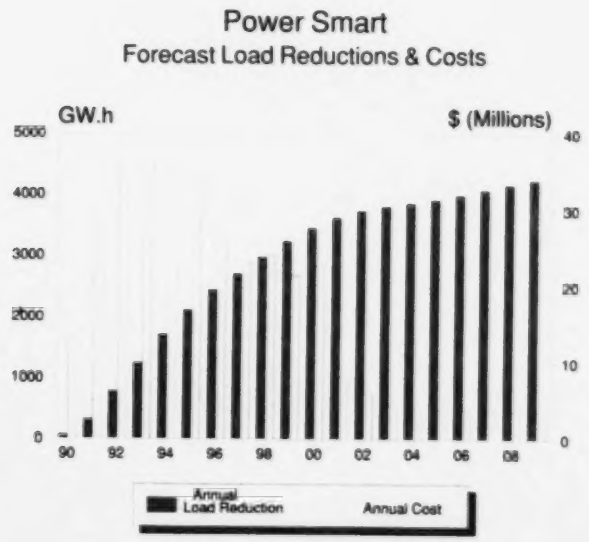
Commercial

Commercial programs are designed for institutional and commercial buildings. Examples here include "Municipal Energy Audit" where municipal buildings such as skating rinks and offices are surveyed to identify opportunities for reducing energy costs and "Building Retrofit" which improves the electrical efficiency of existing buildings.

Industrial

The main targets of Power Smart industrial programs are manufacturers and the primary industries of mining and forestry. Key programs include "High Efficiency Motors" which is intended to increase the market share of efficient motors through education and rebates and "Plant Energy Audit" where customers are assisted in evaluating current electricity use and determining cost effective alternatives.

As it is defined today, Power Smart is a twenty year project. By the year 2000, it is estimated that energy demand could be reduced by up to 3,000 GW.h/year at the customer meter which equates to a saving of 3,440 GW.h/year of generation when transmission and distribution losses are taken into account. Reduced customer demand across the three plan years is projected to total 1,900 GW.h. The total cost of the initiative, most of which is incurred in the first ten years, is currently forecast at $225 million. In fiscal 1991, consideration will be given to expanding Power Smart by increasing the investment to approximately $340 million. Each Power Smart program attempts to achieve a unit cost that is less than the cost of new hydroelectric generation. Over the long-term, all three market segments deliver energy savings at an average cost of 2.4 cents/kW.h (total of B.C. Hydro and customer costs). This makes Power Smart a very cost effective means of contributing energy to B.C. Hydro's overall long-term resource strategy.



Resource Smart

Another key component of B.C. Hydro's comprehensive energy strategy is to maximize the energy obtained from existing generation, transmission and distribution facilities. The projects aimed at accomplishing this objective are collectively referred to as Resource Smart and share the common theme of "making the best use of what we have."

Some of the ways in which additional energy can be generated from existing facilities include installing additional and/or more efficient turbines, raising water levels in reservoirs, removing debris from trashracks more frequently, reducing electric system losses and building generating plants at existing dams.

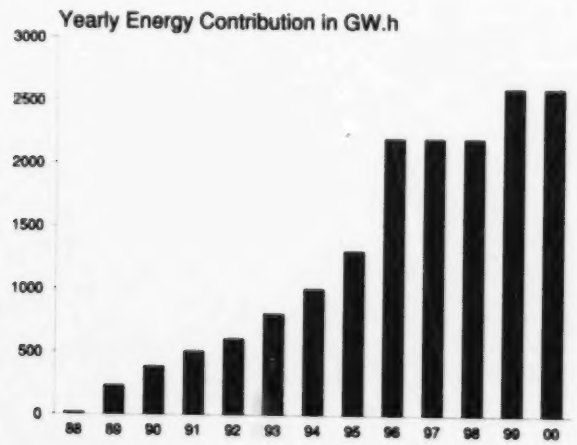
An initial study phase identified many potential projects of this nature. The study included a preliminary assessment of the additional energy obtainable from each project and its associated implementation costs.

Some of the projects have already been completed and the energy gains realized as of March 31, 1990 total 380 GW.h/year. Key projects to date include the Revelstoke tailrace excavation and the raising of the operating level of the Seven Mile Reservoir. By deepening the riverbed below the dam, the water passing through the turbines has farther to fall and this increases generating capacity. The estimated energy gain from the Stage 1 deepening of the tailrace below the Revelstoke Dam is 106 GW.h/year and construction costs were $3.5 million. This translates into a unit cost of approximately .69 cents/kW.h or less than one-seventh the cost of building new generation facilities. The Seven Mile project involved the acquisition and clearing of additional reservoir property and the modification of existing structures in order to handle the higher water levels. An annual energy gain of 235 GW.h was achieved at a cost of approximately $3.5 million, giving a unit energy cost of about .53 cents/kW.h.

By the year 2000, Resource Smart projects could generate an estimated 2,600 GW.h/year in additional energy. Some examples of major contributing projects are the addition of generating facilities to the Keenleyside dam and the expansion of the Cominco-owned Waneta generating plant.

The overall long-term, average cost of energy of these projects is 3.5 cents/kW.h which is considerably lower than the cost of new hydroelectric generation. Like Power Smart, this makes Resource Smart a very cost effective means of contributing to an efficient and reliable supply of electricity, and it does this with a relatively minor impact on the environment.

Resource Smart



Independent Power Producers

An Independent Power Producer is defined as an individual or company whose independent generating facility is connected to a utility system such that electricity may be sold to the utility. It is a commercial, co-operative effort between the utility and the private sector to provide new sources of supply to meet the growing demand for electricity.

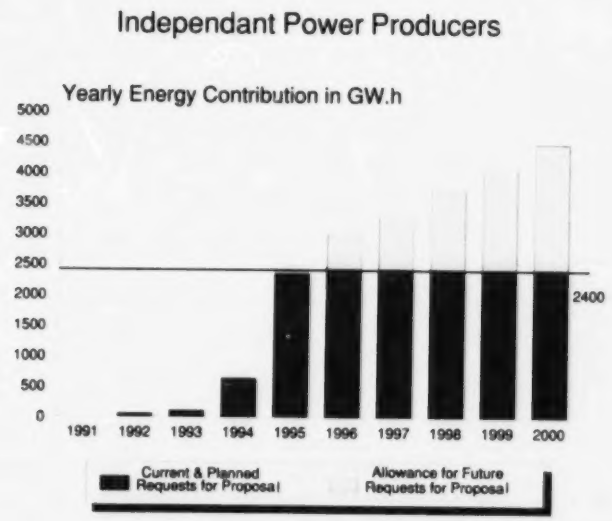
B.C. Hydro has requested and received proposals involving a variety of solutions including energy derived from hydro, natural gas and woodwaste. The projects are screened on the basis of environmental, financial and technical feasibility.

Some of the key benefits of using Independent Power Producers to help meet British Columbia's future energy needs include:

- Fostering economic development in the private sector.
- Cleaning up the environment by using by-products like woodwaste.
- Meeting electricity needs in non-integrated areas in a cost effective manner.
- Slowing the increase of B.C. Hydro's costs by deferring major hydroelectric projects and introducing an element of competition into the business of supplying electricity.

The first major Independent Power Producer project will be a $135 million venture in Williams Lake. In March 1990, an agreement was signed with NW Energy Corp. to build and operate a 55 MW plant fuelled with woodwaste from five local lumber mills. It is anticipated that this power will be available starting in mid-1993.

By the turn of the century, based on current and planned proposal activity, B.C. Hydro could be purchasing 2,400 GW.h of electricity from Independent Power Producers each year. Future requests for proposals could increase that number to as much as 4,400 GW.h per annum. The overall average cost of these purchases is projected to be approximately 3.8 cents/kW.h over the life of the projects. Independent power production is another financially attractive, innovative source of energy for the people of British Columbia.



Self-Generation/Load Displacement

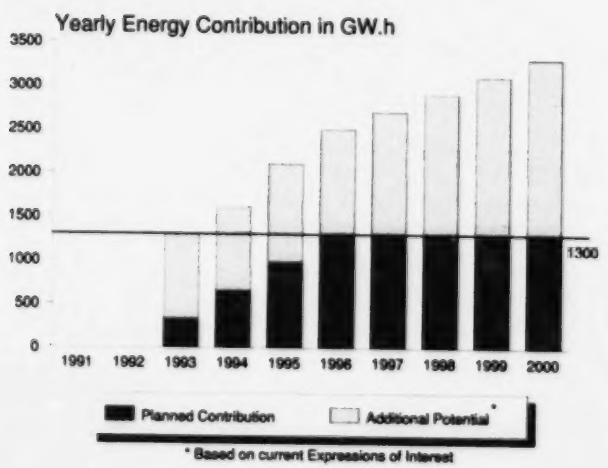
When a customer who had previously been buying electricity from B.C. Hydro starts generating his own power, "load displacement" occurs since the electricity previously consumed by the customer is now available to other customers. This defers the requirement to increase the amount of electricity generated by B.C. Hydro.

A number of B.C. Hydro's major industrial customers are already meeting some of their energy needs through self-generation and our research indicates significant additional potential exists. To help assess the level of interest in self-generation opportunities, B.C. Hydro has asked for "expressions of interest" from British Columbia companies. Current plans anticipate that this interest could provide 1,300 GW.h/year of electricity from self-generation by the year 2000. Additional potential could raise this total to approximately 3,300 GW.h per annum. These projects are forecasted to deliver electricity at a long-term, average cost of 2.9 cents/kW.h (total of customer and B.C. Hydro costs) which is well below the cost of new hydroelectric generation.

B.C. Hydro is offering the private sector both technical and financial assistance. The technical assistance is being provided through the co-funding of consultants' studies which identify and quantify self-generation opportunities. Financially, consideration is being given to a variety of purchase terms to help make projects economically viable from both the customer's and B.C. Hydro's points of view.

Self-generation projects represent "win-win" situations. The customer wins by owning a source of power which costs less than buying it from B.C. Hydro. B.C. Hydro wins because existing power is freed up to meet other needs which in turn allows for the deferral of more expensive, major generation projects.

Self Generation / Load Displacement



Other Sources

The balance of additional energy required between now and the year 2000 is expected to come from two main sources:

Purchases & Co-ordination

Alcan is expanding their Kemano generating station ahead of their own industrial power requirements. B.C. Hydro has entered into a long-term agreement with Alcan to purchase substantial amounts of this power each year starting in 1995.

The pooling of resources and loads between utilities provides an opportunity to make more efficient use of resources. For example, a preliminary joint study conducted by B.C. Hydro and TransAlta Utilities shows that British Columbia's and Alberta's interconnected utilities could, over the period 1990 to 2010, reduce electricity generation costs between $600 million and $1.2 billion by co-ordinating system operations. Other major co-ordination opportunities exist with Bonneville Power Administration in the United States. By the year 2000, purchases and co-ordination could contribute 3,520 GW.h per year to the B.C. Hydro system.

Downstream Benefits

Under the Columbia River Treaty, Canada sold the United States its rights to the downstream energy benefits which result from the operation of storage facilities at the Duncan, Keenleyside and Mica dams. This sale was for a period of thirty years from the beginning of operation of each of these projects. In fiscal 1999, these benefits will start to revert to British Columbia and are forecast to be approximately 2,000 GW.h in the year 2000. The downstream benefits are a provincial resource and no allocation to any specific demand or utility has been made at this time.

Customer Service Innovation

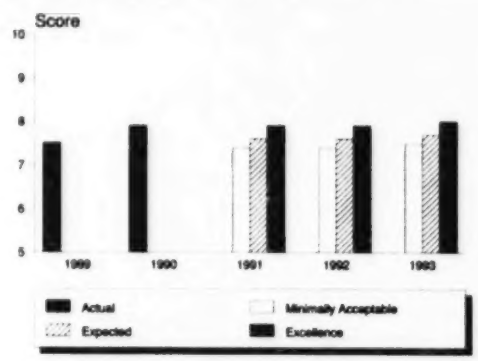
Quality Customer Service

A key initiative in supporting the overall corporate objectives is to develop and maintain superior customer service. Many individual initiatives contribute to improving the quality of customer service provided by B.C. Hydro such as efforts to bring services closer to the customer through Decentralization and Human Resource initiatives. Annual investments in new distribution facilities and upgrades to meet new load requirements are also important in ensuring continued service excellence. The planned capital cost of these system extensions and improvements for fiscal 1991 is $88 million which is $17 million higher than the previous year.

The corporation's overall performance in terms of customer satisfaction is measured by the results of an annual Goldfarb survey. The January 1990 survey gave B.C. Hydro an overall quality of customer service rating of 7.9 out of 10 as compared with a rating of 7.5 a year ago. When compared to four other public service organizations, B.C. Hydro received the highest service rating for the third consecutive year.

Specific programs and action plans have been designed to address four major components of quality customer service - responsiveness, power quality, public safety and reliability. The company intends to meet or exceed the excellent performance that has already been established in these four areas.

Customer Satisfaction Survey

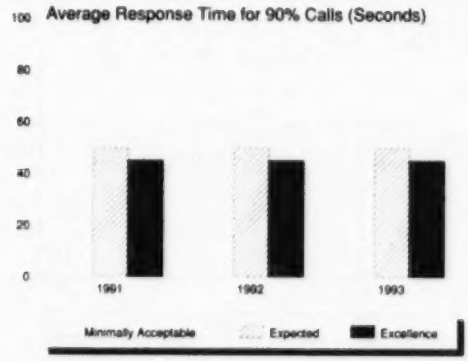


Responsiveness

B.C. Hydro plans to further improve its responsiveness to customers by installing additional digital telephone switches and further developing an electronic messaging system.

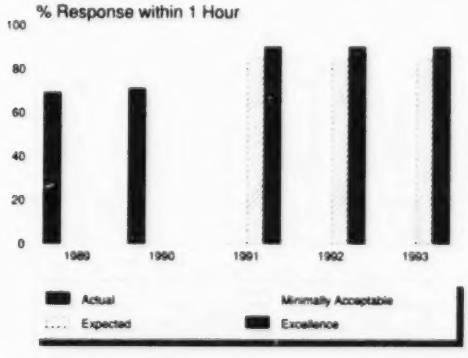
Additional digital telephone switches are being installed at an estimated cost of $0.3 million in fiscal 1991 to reduce the time taken to answer a customer's phone call. These switches will provide a network capability to automatically transfer any call to the first available line amongst the offices on the network and measure the response times within each Regional centre. By the end of fiscal 1991, the network will include the five Lower Mainland offices plus the Nanaimo, Victoria, Campbell River, Prince George and Vernon offices. In addition, an electronic messaging or computer voice system called "Hotline" is being further developed, at an estimated cost of $100,000 in fiscal 1991, which will give customers access via a touch tone phone to a wide range of information concerning their accounts.

Telephone Enquiry Response Time

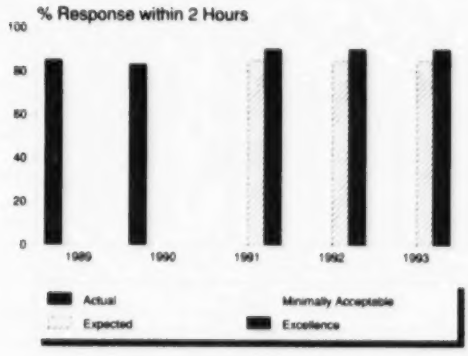


A key indicator of responsiveness is how quickly B.C. Hydro responds to trouble calls. B.C. Hydro measures its performance in terms of emergent trouble calls and urgent trouble calls. Emergent trouble calls are those where many customers are affected and public safety is at risk. Urgent trouble calls also involve many customers, but public safety is not at risk.

Multi-Customer Emergent Trouble Calls

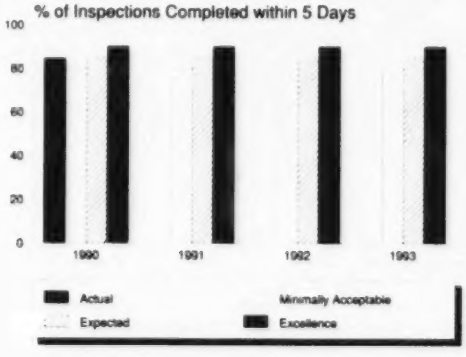


Multi-Customer Urgent Trouble Calls

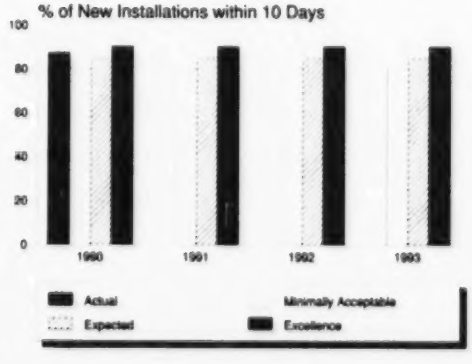


Another indicator of responsiveness is B.C. Hydro's ability to connect new customers to the system in a timely manner. The quality of service level for all types of new service connections is divided into two activities - inspection time and installation time.

New Service Inspection Time

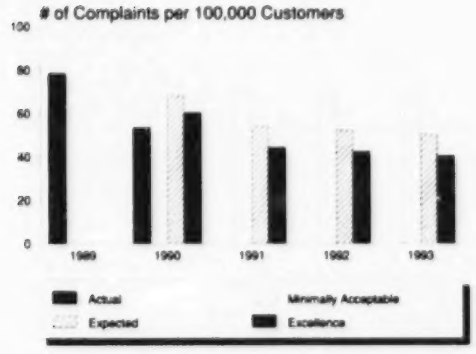


New Service Installation Time



With these action plans B.C. Hydro expects to achieve its goal of consistently reducing the number of complaints received by the company over the next three years. The indicator used to measure success in this area is the number of phone and written complaints handled by the Customer Service Group.

Customer Complaints



Power Quality

Power quality refers to the quality of electricity measured by the frequency and magnitude of momentary voltage disturbances. The issue of power quality has become increasingly important as digital and computer equipment become more prevalent in homes and offices.

At present, the utilities industry, customers, equipment suppliers and other stakeholders have virtually no data on the frequency and magnitude of the impulses, sags and swells, and harmonic distortions in utilities' electric systems. The collection of data on power quality has been constrained by the availability and cost of high speed monitoring equipment, a lack of standard techniques for gathering data and a lack of standards to define power quality.

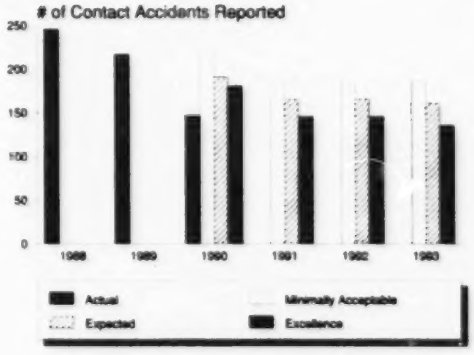
Before power quality issues can be properly resolved, a significant research and education process must take place among the various power quality stakeholders.

A power quality study has been initiated by B.C. Hydro at a budgeted cost of $1.2 million over the three year plan period to research and provide recommendations regarding the quality of electricity. The major objective of the study is to develop a database by recording the variables affecting power quality within B.C. Hydro's service areas and to acquire a better understanding of the marketing issues behind power quality in the context of establishing quality standards.

Public Safety

Ensuring public safety when working with or around electricity remains a key corporate objective for B.C. Hydro. Continued emphasis will be placed on increasing the level of public awareness of electrical hazards through school, training and promotional programs. In addition, a public safety advisory council will be established in fiscal 1991 to address issues and develop strategies. B.C. Hydro's efforts to improve public safety have resulted in a significant reduction in the number of public contact accidents over the past three years. The objective is to continue to maintain our excellent public safety performance.

Public Electric Contact Accidents



Reliability

Many reliability issues focus on how often the lights go out and for how long. B.C. Hydro is proud to say that we maintain and operate one of the most reliable electric distribution systems in Canada. To further improve the reliability of the system, B.C. Hydro has initiated several key action plans:

- development of a distribution system Reliability Improvement Plan,
- enhancements to the Distribution Trouble Reporting System,
- a study of distribution feeder control,
- a long-term comprehensive approach to preventative maintenance.

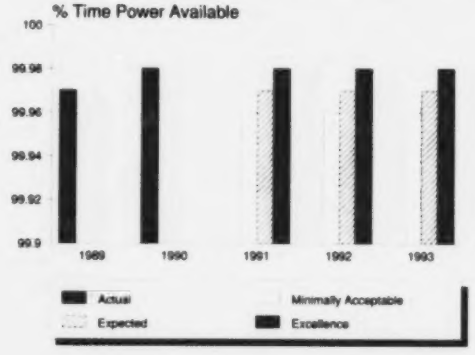
A Reliability Improvement Plan for the distribution system is currently under development to identify and implement techniques that will allow B.C. Hydro to define comprehensive short and long-term plans for improving reliability. The work will include the analysis of outage data collected by the Distribution Trouble Reporting System in order to identify areas where opportunities for improvement exist. Potential solutions include changes in operating procedures such as the addition of shift trouble-shooting crews, the application of new technologies and new construction standards and designs such as use of insulated overhead conductors. Enhancements to the Distribution Trouble Reporting System, costing approximately $100,000 in fiscal 1991, will lead to easier extraction and analysis of outage data for development of the Reliability Improvement Plan and ultimately will improve management of the distribution system.

A study of distribution feeder control has been initiated to determine its potential to reduce customer outage duration. A pilot project involving the installation of sectionalized switches with remote fault indicators and control functions in two outage-prone Fraser Valley distribution circuits will provide data for further analysis. The total capital cost of this study is budgeted at $1.1 million over the three year plan period.

B.C. Hydro uses the same three indices as the Canadian Electrical Association to track performance in the area of reliability - the Average System Availability Index (ASAI), the System Average Interruption Frequency Index (SAIFI) and the Customer Average Interruption Duration Index (CAIDI).

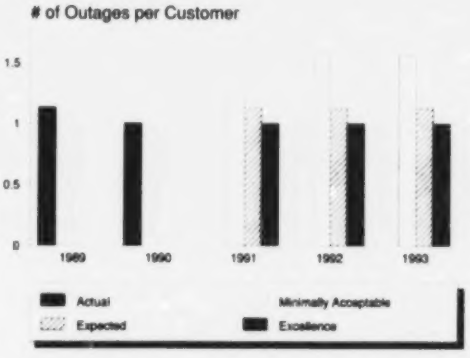
ASAI measures the percentage of time power is available.

% ASAI
Average System Availability Index



SAIFI measures the number of outages per electrical customer on the system. For reporting purposes, planned outages and those of less than five minutes are excluded from measurement. B.C. Hydro achieved an exceptional record of 0.8 outages per customer for the 1990 fiscal year.

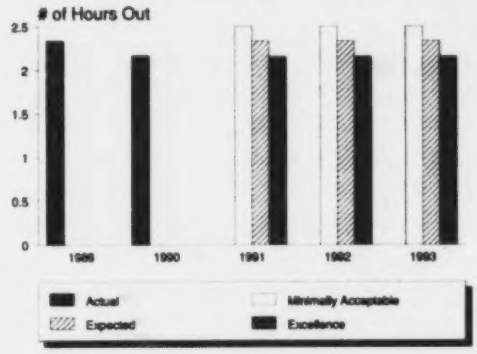
SAIFI
System Average Interruption Frequency Index



CAIDI measures the number of hours the interrupted customer is without power. It is important to note that B.C. Hydro crews are frequently faced with conditions that are both hazardous and difficult due to wide variations in weather and terrain. Large distances are also a factor in the time required to restore power in more remote areas of the Province.

CAIDI

Customer Average Interruption Duration Index



Maintenance Strategy

The philosophy and approach to preventative maintenance has a direct impact on system reliability. It is important to note that the estimated value of electricity foregone by the customer during a short, unannounced interruption is considerably more than its purchase cost and that the customer places a high intrinsic value on good service. Therefore, management judgement is vital in optimizing the balance between expenditures for preventative maintenance and the number of unplanned outages. During the 1980s, when B.C. Hydro had an energy surplus, it was possible to defer some maintenance as a means of financial restraint without adversely impacting either system reliability or safety. However, throughout most of the 1990s our system will be close to resource balance and our maintenance strategy must be adjusted to account for this reduced operating margin. This strategy is designed to address the three key areas of maintenance --- steady-state, major overhauls and general backlog.

Steady-State Maintenance

Steady-state maintenance represents the ongoing, regular work that is done annually in order to maintain the electric system. Approximately $85 million of operating costs in the areas of generation and transmission will be expended in each year of this plan.

Major Maintenance Overhauls

As the system ages, a number of major pieces of generation and transmission equipment will require service that is more extensive than routine maintenance. This type of work affects the operating flexibility of the system and has a direct relationship to our objective of reducing outages. A significant investment is required over the next five years for major maintenance, mainly on generating unit overhauls and circuit breaker rehabilitation. For example, the final three of eight generating units at the G.M.Shrum Generating Station will be overhauled and it is anticipated that two units at the Mica Generating Station will require major work. In addition, work will proceed at the thirty year old Burrard Thermal Generating Plant which will include rehabilitation of the offshore works, cooling water systems, boilers and turbines in order to extend the service life and reliability of this plant.

Maintenance Backlog

A new computerized maintenance scheduling system known as the Production Facilities Management System is now installed and operational. This system is used to track preventative maintenance routines against set standards for all generation and transmission equipment. This system has confirmed the existence of a significant backlog of maintenance that is required to bring specific equipment up to present standards. A large portion of the work involves routine inspections and maintenance of substations as well as vegetation management on transmission rights-of-way. In addition, there is a backlog of maintenance in the distribution system across a wide spectrum of equipment including poles, conductors and transformers. This work is required to prevent significant damage to major equipment and the deterioration of system reliability.

Maintenance Fund

A special project fund is under study that would be used to finance the multi-million dollar cost to address both major overhauls and the maintenance backlog. The financial impact of the proposed fund has been excluded from the three year plan. The fund would support a maintenance program that will be staged over several years to match our commitment to providing a safe, secure and reliable source of electric energy.

Market Innovation

Through a proposed wheeling policy, the continued decentralization of specific operations, the further development of its subsidiaries and purchasing of services where appropriate, B.C. Hydro is committed to exposing the corporation to the competitive pressures of the marketplace. The challenge of increasing corporate efficiency will be met through this ongoing test of our cost structure against the market.

Wheeling Policy

Wheeling is the transmission of electric energy generated by one party to another using the transmission system of a third party, referred to as the wheeler. The wheeler does not own, generate or purchase the electricity being transported from one point to another. It only "wheels" it by allowing the use of its electric system.

B.C. Hydro has developed an innovative policy and tariff for firm wheeling of electric power to loads within British Columbia. An application for approval of this policy is expected to be submitted to the British Columbia Utilities Commission during the first quarter of fiscal 1991. In developing a wheeling policy, the corporation recognizes that access to the B.C.Hydro integrated system is vital for the promotion of the efficient supply and distribution of electricity in British Columbia. In addition, the policy aids regional economic development by providing more supply options to electricity consumers in British Columbia and a wider market for suppliers.

Decentralization

Decentralization represents the next stage in the corporation's evolution to enhanced corporate efficiency. Each Strategic Business Unit has the mandate to improve both internal and external customer service and to increase profitability. To this end, specific finance, administrative and planning functions are in the process of being decentralized from the Corporate Groups to the Strategic Business Units. In so doing, B.C. Hydro staff who are located in the communities where our customers live will have the authority, responsibility and the accountability to achieve these mandates.

A rigorous procedure has been followed to identify specific functions that could be effectively decentralized and this process has identified the four key areas of accounts payable and purchasing, management accounting, customer accounts and plant accounting as candidates for varying degrees of decentralization. The overall implementation schedule covers a four year period from 1989 to 1992.

Changing from a centralized to a decentralized organization will continue to have a large impact on existing computer systems, staffing and premises. A significant resource commitment will be required to ensure success.

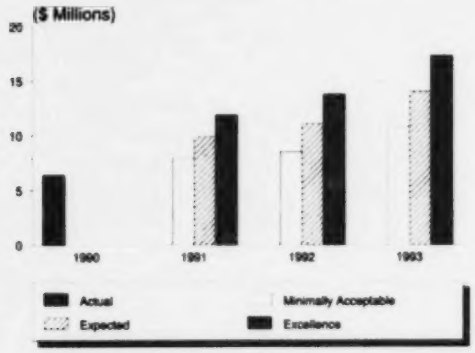
Several key benefits will be derived from this investment. Decentralization will result in the simplification of central administration functions and a reduction in their associated costs. In addition, by delegating specific authority in areas such as supplier payments and customer claims, managers in the key business units will have a greater span of control over their own businesses. This will allow them to adapt quickly to changing business and customer requirements and to maintain a stronger community presence.

B.C. Hydro Subsidiaries

The creation of subsidiaries has improved the efficiency and effectiveness of B.C.Hydro by allowing key services to be judged on quality and price against external markets. This process of providing a stronger market focus for its services will continue at B.C.Hydro throughout the Plan years. Particular emphasis will be placed on the creation of service subsidiaries. This type of subsidiary would be a business which delivers essential services to the parent organization, but may benefit from improved focus and an external Board of Directors. The business would remain closely linked to B.C. Hydro and would likely have limited capacity or flexibility to offer similar services to the external market although joint venture operations would also receive consideration. Examples of potential service subsidiaries would include Vehicle Services, Electric Shop Services and Hydro Force Construction.

Three of these subsidiaries, Powertech Labs, Westech Information Systems and Western Integrated Technologies will continue to aggressively pursue external markets that provide attractive profit opportunities. Powertech is an applied technology company and its major clients include B.C. Gas, Cooper Power Systems of Wisconsin, the Canadian Electrical Association and the Canadian Gas Association. Westech is the seventh largest system development company in Canada. Its accomplishments for fiscal 1990 include a contract with a U.S. utility to provide expertise on a major computer systems design project and the Cantex joint venture to support the B.C. Hydro geographic facilities information systems project. Western Integrated Technologies' revenues place the company in the top 10 group of information processing services companies in Canada. The ability to develop and grow external, third-party revenues during the three years of the Plan will be critical to the strategic success of these subsidiaries.

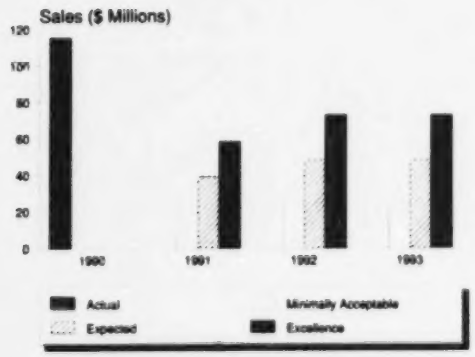
Powertech, Westech and Western
Sales to External Customers



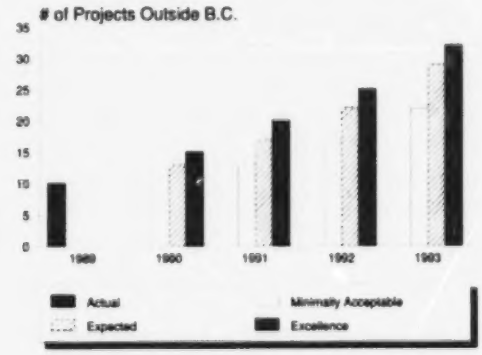
British Columbia Power Export Corporation (POWEREX) has the broad mandate to import and export electric power and consists of two distinct business segments. The POWEREX Pool operation serves the domestic and international market for non-firm power. The POWEREX Long-Term, Firm operation facilitates the development of a private enterprise, long-term, firm electricity trading industry in British Columbia that serves the export market.

British Columbia Hydro International Limited (BCHIL), using B.C. Hydro engineering expertise, enters into joint ventures or other affiliations with private sector consultants and manufacturers to win and carry out profitable contracts to supply technological advice to Canadian and international clients. An example of a BCHIL success is reflected by a contract to supply 20 air gap monitoring systems to the Guri hydroelectric project in Venezuela at an estimated revenue contribution of $2.0 million. In addition, BCHIL as a sub-consultant to Teshmont Consultants Inc., Winnipeg, has been awarded a $1.2 to $1.4 million contract to provide consulting engineering services to Jordan and Egypt for an undersea 400 kV cable crossing of the Gulf of Aqaba, and 500 kV cable through an existing tunnel under the Suez Canal. During the 1990 fiscal year, the company was involved in 14 projects outside of British Columbia with total 1990 revenues of $2.4 million. The company will also continue to support British Columbia firms on projects within the province. A recent example of success in this area is the work being done in conjunction with Klohn-Crippen for the Greater Vancouver Regional District on its Clevland and Seymour Falls dams. In the long-term, BCHIL's objectives are to consistently increase the number of joint venture projects and its support for British Columbia private sector consultants and manufacturers.

Powerex Export Sales



BCHIL Projects Outside of B.C.



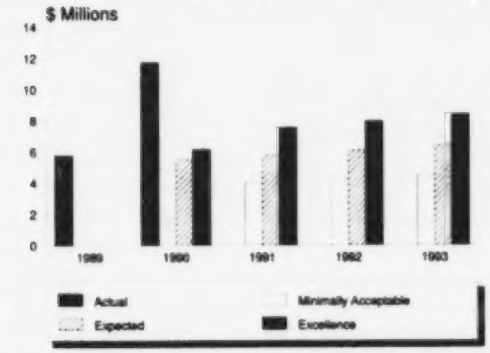
Purchasing of Services

B.C. Hydro will continue to optimize the mix between regular core staff and the use of temporary staff and external contractors as means of smoothing work peaks during periods of heavy capital activity and as a way of offering job security to our employees during an economic downturn. In addition, the corporation will continue to align its purchasing practises to encourage the purchases of goods and services from British Columbia suppliers.

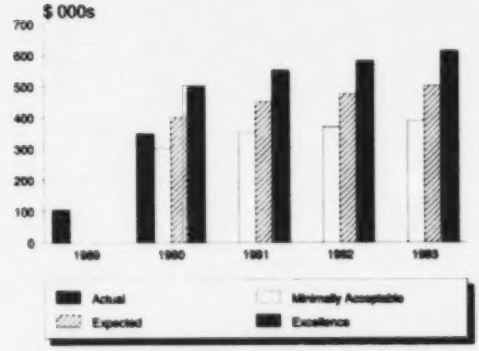
Examples of purchasing initiatives include:

- The Cantex joint venture to develop the Geo Facilities Information System will bring $10.0 million into the province, largely at the regional level.
- Cove Tops Ltd., a British Columbia based company, was awarded a $1.0 million contract to supply 3,000 workstation tops.
- Klohn-Crippen, a three company consortium, is under contract to perform extensive engineering studies, analysis and design for hydroelectric projects.

Added B.C. Business due to Supplier Development Activities



Local and Regional Supplier Participation



Human Resource Innovation

Recognizing that employees are our number one asset, B.C. Hydro will continue to place emphasis on developing the skills, knowledge and attitudes of our people to enable them to excel in the accomplishment of the corporate mission and objectives. A corporate Human Resource Strategy has been put in place to provide a road map to guide these efforts and to ensure that B.C. Hydro has a workforce well equipped to manage and operate an efficient, market-driven utility by the end of the decade.

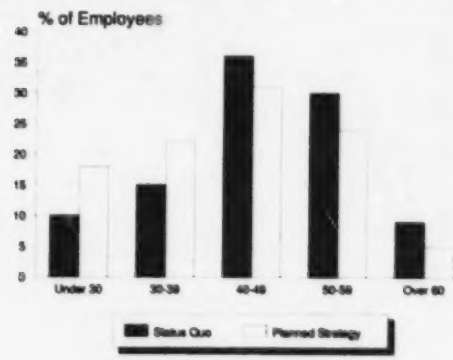
The focus of the Human Resource Strategy will be on "Building Team 2000" through skills enhancement and empowerment. Innovative approaches to human resource management will be undertaken by entering into partnerships with the key stakeholders including the unions, the business community and educational institutions. Implementation of the Human Resource Strategy will be achieved through the three strategic thrusts of Balancing the Workforce, Strengthening the Team and Building the Culture.

Balancing the Workforce

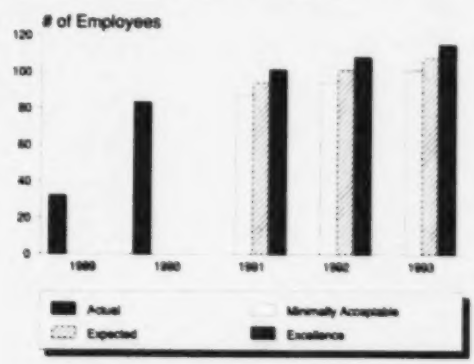
With the aging of B.C. Hydro's workforce, it is critical to ensure a smooth transfer of skills and knowledge from the current workforce to the next generation and to attain a balanced age distribution. The goal of the Human Resource Strategy is to have a balanced workforce with an average age of 42 years by the year 2000 which would bring B.C. Hydro in line with the projected average age in British Columbia of 41 years. In the absence of this strategy, the average age of B.C. Hydro's workforce is projected to be 45.6 years by the year 2000.

Over the next few years, there will be an expanded use of Apprentice and Trainee Programs which in turn will provide career opportunities for new and existing employees. In addition, through a high profile recruitment campaign at various campuses and collaboration with educational institutions, B.C. Hydro plans to attract top candidates for these programs.

Projected Age Distribution of Employees
(in the Year 2000)



Apprentice & Trainee Programs
(1991 to 1993)



To demonstrate B.C. Hydro's commitment as a progressive employer, an effective Employment Equity program will be developed that will place increased emphasis on hiring, developing and promoting women and other designated groups. Over the next few years, continued efforts will be made to increase the representation of women in senior positions and non-traditional occupations. To increase the number of employment opportunities in B.C. Hydro for disabled individuals, B.C. Hydro will work with designated groups within the disabled community.

Recruitment of Disabled Workers

Women in Senior Positions

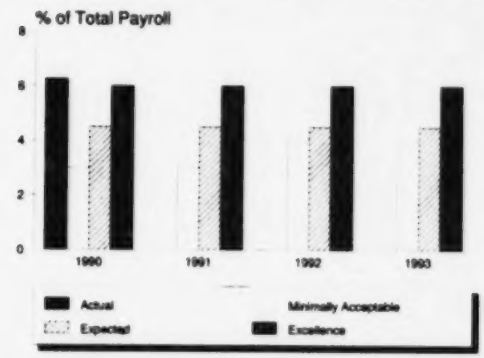
Women in Trades

Strengthening the Team

In the coming years, B.C. Hydro will continue to strive for productivity improvements through people development, management skills enhancement, organizational restructuring and the expanded use of information technology. A key productivity initiative is to introduce the Empowered Work Team concept throughout the organization. This reflects a continued commitment to further flatten the organization structure and increase employee opportunities for responsibility and accountability. The plan is to establish one hundred Empowered Work Teams in fiscal 1991. In support of the empowerment initiative, the potential for performance-based compensation programs for non-management staff and team-based reward systems will be explored.

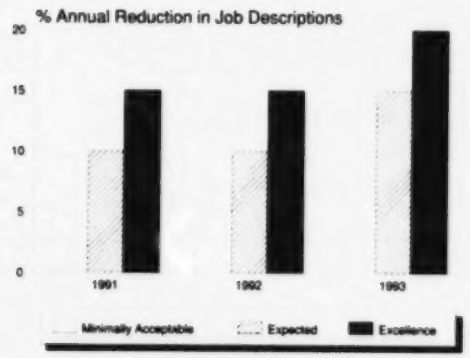
Building on last year's initiative to develop and upgrade the skills of the workforce, the corporate target is to allocate 6.0 percent of the total payroll for training and development. This amounts to approximately $12 million for the 1991 fiscal year. Emphasis will be placed on providing relevant business, technical and computer training to employees with the objective of building a multi-skilled, motivated and productive workforce. Specific initiatives to be undertaken in the fiscal year 1991 include the development of programs to strengthen B.C. Hydro's management team, the extension of business management system training for more employees and the use of in-house experts as mentors for trainees and apprentices.

Investment in Employee Training



One of the key approaches for increasing the flexibility of the workforce is to significantly broaden job descriptions and reduce the number of job classifications. A new management job evaluation plan implemented in April 1990 saw the introduction of a new salary structure for management staff that reduces the number of job classifications from eighteen to ten and allows for the improved recognition of excellent performance.

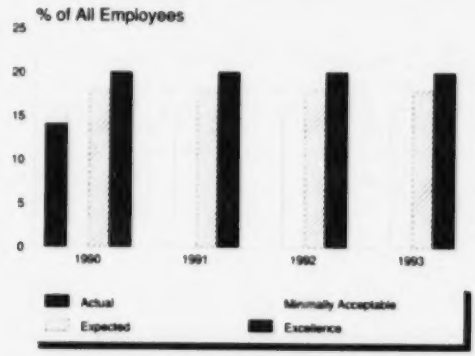
Employment Classifications



B.C. Hydro will work to reinforce the principles of pay for performance and market comparability in employee compensation. Performance must focus on results and relate to corporate objectives, strategies and values. Bonuses earned by management employees have been increased and now range from 5% to 30% of salaries depending on the achievement of objectives established in the management contracts and the level of responsibility. Results of a recent annual salary survey show that B.C. Hydro's average total cash compensation to be a factor of 1.02 or 2% above major private sector employers in British Columbia, although senior staff continued to be below the marketplace. These results are communicated to all employees and are available to the public. B.C. Hydro's compensation objective is to be at par with our major customers.

Other initiatives aimed at removing boundaries and improving flexibility include fostering responsible partnerships with unions, providing employees with improved job rotation opportunities, eliminating rigid technical requirements in management job descriptions and implementing an innovative relocation assistance program to encourage employee mobility. To further improve flexibility, B.C. Hydro will continue to maintain a cost effective balance between core staff and the use of temporary employees and external contractors to meet workload peaks and ongoing needs of the organization.

Employee Job Rotations



To position the corporation for success, it is important for B.C. Hydro to remain proactive, informed and responsive to the rapidly changing world. The Strategic Renewal process, which engages management and employees in establishing and understanding the mission and objectives that are critical to the success of the corporation and their business unit, will continue at the Key Business Unit level in the 1991 fiscal year. Sixty Strategic Renewal workshops will be undertaken by October 31, 1990.

Building the Culture

One of the key elements of the Human Resource Strategy is to develop and maintain a working climate which emphasizes the corporate climate goals of integrity, innovation, commitment, teamwork and empowerment. As well, the climate must support our management principles to be results-oriented, provide marketable products and services, strive for excellence and empower staff members. A comprehensive employee communication strategy will be implemented in the 1991 fiscal year to support the corporate-wide climate change process and provide ongoing dialogue on human resource initiatives.

Another key thrust of building the culture is to create a flexible working environment that enhances employee autonomy and provides employees with the opportunity to achieve a well-balanced lifestyle. Policies and programs are being developed to facilitate employee participation in job sharing arrangements, sabbaticals and working from home. The Lifestyle and Employee Assistance Programs continue to play an important role in encouraging and assisting employees to focus on their quality of life and to cope with change.

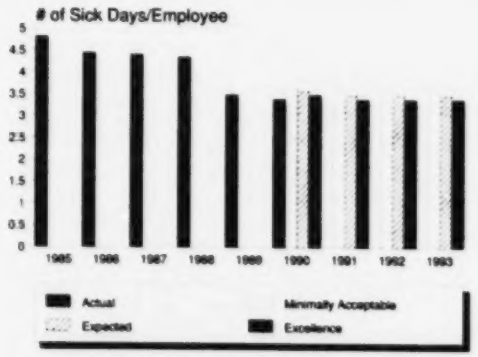
B.C. Hydro anticipates that its staff will remain at the forefront of the business community in minimizing work days lost due to illness. In fiscal 1990 the company experienced 3.4 sick days per employee compared to the Canadian average of 6.0 days.

Employee safety continues to be an integral part of job design, planning and execution and the various stakeholders will be involved in the ongoing design of effective accident prevention programs. Presently, the WCB assessment rate for B.C. Hydro is $0.57 per $100 of payroll, equivalent to that of a school board. In the coming years, B.C. Hydro will strive to maintain its excellent safety record.

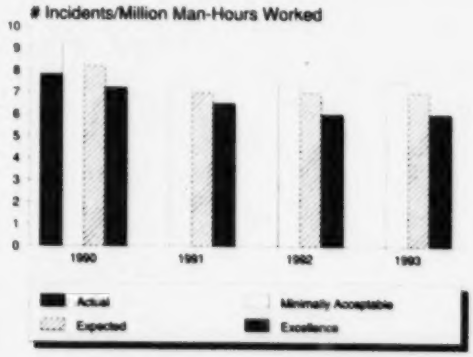
An informed workforce that is committed to the appropriate protection of the natural environment reflects B.C. Hydro's changing values toward the environment. In the coming years, staff will be trained to understand the impact of their decisions on the natural environment and the level of environmental awareness will be raised to parallel that of safety.

Sick Leave Frequency

Sick Leave Severity



Employee Accident Frequency Rate



Technology Innovation

The effective use of information technology has been identified as a critical success factor in achieving the corporation's goals. It is expected to contribute to greater efficiency by enabling B.C. Hydro to improve productivity and respond faster to changing business conditions. Significant investments will be made in this area to maximize the benefits made available through technological advances. A framework has been established to maximize the value derived from these investments in new technology and to support B.C. Hydro's decentralized business operations with emphasis on distributed processing. In fiscal 1991, $46 million will be expended on new system development and computer equipment.

Information Technology Plan

A Technology Plan was developed to provide a common direction for the efficient and effective use of information technology within B.C. Hydro. With the move towards decentralized business units, there are corresponding shifts in the corporation's computer systems requirements. Three tiers of data processing - mainframes, distributed processors and intelligent workstations - will be used to achieve the best mix of efficiency, stability and control with flexibility, power and self-sufficiency. Consequently, it is critical to build an information technology and applications architecture which emphasizes uniformity and consistency to support this approach.

A number of initiatives are underway or planned to provide input into the development of corporate guidelines and standards. These initiatives include an evaluation of B.C. Hydro's telecommunication network to establish a telecommunication strategic plan, a pilot project to test the use of image processing facilities, and a data architecture pilot to develop guidelines for data ownership and distribution.

To meet the business needs of the organization, major information systems aimed at improving customer service and increasing the efficiency and effectiveness of B.C. Hydro's operations are being developed. The following major system developments will be undertaken by B.C. Hydro over the next few years.

Geo Facilities Information System

Geo Facilities Information System is a strategic initiative involving the automation of record-keeping for B.C. Hydro's electric distribution system through the conversion of manual power distribution maps and records to a computerized database. With the electronic digitization of land and facilities data, timely and accurate geographic information is available for design, analysis and construction work. This dramatically improves customer service and reduces the effort required for map and record maintenance, and increases productivity for many tasks requiring the use of maps and facilities records.

The Geo Facilities Information System project to accelerate conversion and application development was initiated in April 1989 after the successful completion of pilot projects and in-house conversion in the Lower Mainland and Vancouver Island regions. The project is scheduled for completion in March 1992 at a planned cost of $34.6 million. Of this amount, $27.8 million relates to capital costs and the remaining $6.8 million relates to operating costs. For the fiscal year 1991, $15.5 million has been budgeted for the project of which $2.7 million will be charged to operations. The net benefit of the Geo Facilities Information System from increased productivity and improved customer service over a twenty year period is estimated to be about $40 million.

Transmission Facilities Geographic Information System

B.C. Hydro also plans to apply geographic information system technology to create a computerized transmission database. This will provide quality and timely data on transmission, land, maintenance and environmental features on new and in-service transmission lines. Preliminary studies indicate that significant productivity gains can be made and customer service can be much improved. Preliminary design work will be undertaken in fiscal 1991 at a cost of $285,000. Subject to the approval of the Board of Directors, it is anticipated that development and implementation will take five years at an estimated cost of $15 million.

Human Resource Information System

To support the Corporate Human Resource Strategy, a new Human Resource Information System is being developed to provide access to accurate and timely employee information. This information is required for effective human resource management including career and succession planning, employment and pay equity, and employee training and development. Implementation of the Human Resource Information System is a key element in providing B.C. Hydro with a strategic advantage in achieving its corporate objectives. The project was initiated in 1989 and is expected to be operational for the Human Resource functions by the first quarter of 1991, with full completion and availability to line management scheduled for the 1993 fiscal year. The total direct cost of the Human Resource Information System is about $2.7 million of which $1.9 million is budgeted for fiscal 1991. The net benefit of this system over a five year period is estimated to be approximately $4.5 million.

Executive Information System

The Executive Information System is being developed specifically for B.C. Hydro's managers. The System customizes information for each user, allowing fast access via a personal computer to data from various functional areas in the company and from external sources. This ensures management time is used more effectively as information from several databases is filtered, focused and organized, and is readily accessible through one menu. Currently, the Executive Information System is in the pilot stage with thirty applications to be completed by May 1990. Further development beyond the pilot project is planned for fiscal 1991.

Customer Information System

A new Customer Information System is being planned for development to replace the existing system. The new system will feature a relational database, enhanced data pres ntation, and vastly improved user friendliness, in a totaily on-line environment. The primary benefit of the new system will be faster revenue processing which will contribute to improved customer service, increased productivity and improved corporate cash flow. Preliminary design work will start in fiscal 1991 at a planned cost of about $300,000.

Meter Reading Management System

A new Meter Reading Management System will be installed in fiscal 1991 that will improve efficiency and support the decentralization initiative. The new system will use personal computer workstations so that route assignment and the editing and file transfer of readings can be performed at the district office level. The new hand-held micro processors, which will be used by the meter readers, have increased data storage capacity, built-in optical reader ports and connectors capable of reading complex meters. Approximately $2.5 million has been budgeted in fiscal 1991 for the development and implementation of this system.

Workplace Innovation

To maximize the use of corporate assets and to enhance operational and organizational efficiency, innovative approaches are being undertaken by B.C. Hydro to improve the working environment and office facilities. The main thrusts of this strategic initiative involve the sale and lease back of the existing head office building, the refurbishment of existing office facilities, the construction of new corporate offices and the upgrade of regional facilities.

Sale of Head Office Building

The head office building in downtown Vancouver was sold in 1989 as part of the program for disposing of underutilized assets to generate the funds required to develop more efficient office space. The sale was timed to take advantage of the buoyant real estate market and resulted in proceeds of $56 million. A short-term lease back arrangement with the purchaser provides interim facilities for B.C. Hydro while the new corporate offices are being constructed.

Refurbishment of Existing Office Facilities

Recognizing that a better working environment is conducive to improving staff productivity and morale, B.C. Hydro decided to immediately address the deficiencies in its existing office facilities. A major initiative to refurbish the existing office facilities in downtown Vancouver is now completed. This initiative provides an improved working environment for employees during the time it will take to complete the construction of the new corporate offices. The renovated office facilities and the use of modular furniture are expected to contribute to increased productivity while achieving overall space savings of over 30,000 sq. ft. All of the new furniture and removable fixtures will be moved to the new facilities. The cost of leasehold improvements amounted to about $2,500 per employee.

Construction of New Corporate Offices

Looking ahead to the future needs of the organization, plans are underway to construct two new corporate offices, one in downtown Vancouver and the other in Burnaby. Scheduled for completion in 1992, the new, efficient office facilities will provide a quality working environment for employees, support improved customer service initiatives and eliminate redundant office leases by consolidating the staff currently scattered across fifteen office facilities in the Lower Mainland. In addition, it is expected that significant savings in operating costs can be achieved with these new modern and energy-efficient buildings.

The new corporate offices, estimated to cost about $187 million, will be developed on a

self-financing basis using the funds generated from the restructuring of B.C. Hydro's real estate portfolio. To date, proceeds of over $100 million have been realized on the sale of the head office building and other surplus properties, with future sales and elimination of redundant leases expected to add another $60 million over the next three years. About $50 million of the total project cost is budgeted for the 1991 fiscal year. B.C. Hydro will examine various ownership and financing options in order to minimize future operating costs and reduce the funds invested.

Upgrade of Regional Facilities

A multi-year program to upgrade regional office facilities across the province was initiated in fiscal 1990 in order to provide more efficient office space to accommodate decentralized business operations, support improved customer service, and provide employees with a better working environment. For the 1991 fiscal year, $13 million will be allocated to upgrade regional and district facilities to meet corporate standards. These upgrades range from renovating the existing office facilities to constructing new offices.

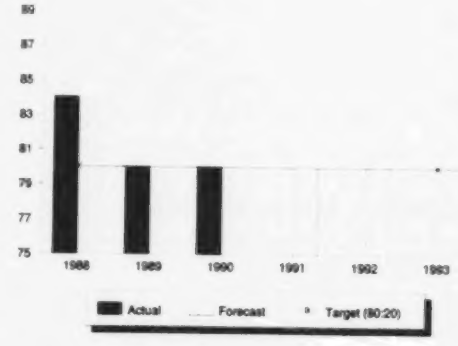
Financial Innovation

To further improve B.C. Hydro's financial flexibility in a rapidly changing environment, innovative strategies are being undertaken to manage the costs and risks associated with its debt portfolio and to maximize the use of corporate assets.

Liability Management

Significant actions have been taken in recent years to reduce B.C. Hydro's debt and U.S. dollar exposure to manageable levels. Over the last two years, total debt has declined from $7.7 billion to $6.7 billion. The total unhedged U.S. dollar portion of this debt has declined from U.S.$2.6 billion to U.S.$1.5 billion. In addition, there has been a shift of a portion of long-term fixed-rate debt to short-term floating-rate debt that has enhanced B.C. Hydro's financing flexibility, enabled better management of interest rate risks and helped to minimize overall debt servicing costs. The improvements made to date to B.C. Hydro's debt portfolio have enabled the corporation to meet its target debt/equity ratio of 80:20 and reduce its debt servicing costs. In 1989, the major bond rating agencies in Canada and United States upgraded B.C. Hydro's and the Province's credit rating from AA to AA+ enabling B.C. Hydro to borrow at lower costs in the future.

Debt to Equity Ratio



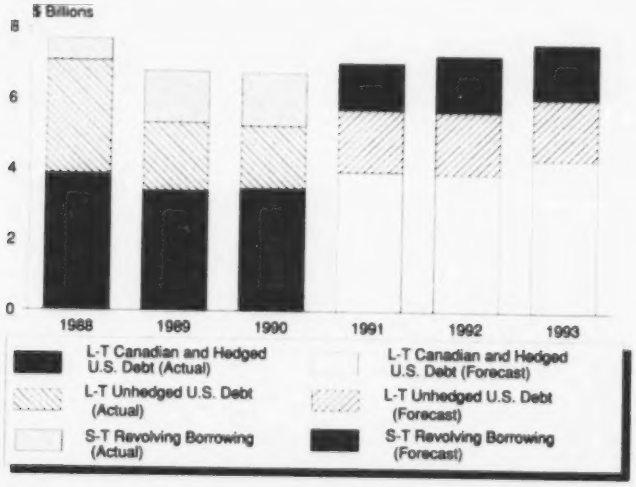
In the coming years, B.C. Hydro will continue to pursue innovative financing strategies to reduce the costs and manage the risks associated with its debt portfolio.

Faced with current uncertainties in interest rates and the Canadian dollar, and a sharply inverted Canadian interest rate yield curve, B.C. Hydro's financing strategies are focused primarily on reducing and smoothing financing charges over time, while effectively managing foreign currency and interest rate risks. The present strategy is to manage short-term floating-rate debt within a range of 15 to 30 percent of total debt with consideration being given to balancing the foreign currency and interest rate risks. While there will be, from time to time, inverted yield curves where short-term interest rates exceed long-term rates, it can be demonstrated that on average over an extended period, there will be systematic savings in interest costs by borrowing short-term over long-term. In addition, the flexibility inherent in the use of short-term debt provides B.C. Hydro the opportunity to refinance with long-term bonds during periods of lower long-term rates.

Additionally, due to volatile foreign exchange movements, active management of U.S. dollar borrowing from time to time allows an opportunity to hedge the U.S. dollar borrowing back into Canadian dollar terms. Active foreign exchange management combined with U.S. dollar borrowing has, at March 31, 1990, resulted in a debt portfolio of about $400 million with an average Canadian interest rate substantially below current market rates.

A key objective of the overall debt management initiative for the 1991 fiscal year is to determine the core level of U.S. dollar denominated debt which is supportable through sustained power export revenue. U.S. debt in excess of this "core" level can be modified through the financial markets to reduce the financial risk associated with this debt.

Total Debt
Net of Sinking Funds



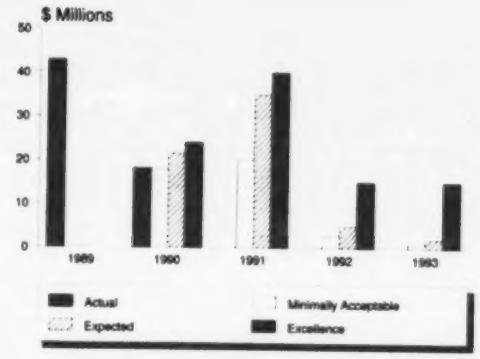
Asset Management

One of the key initiatives in improving asset utilization is the continued divestiture of surplus land and buildings to strategically redeploy the capital to more effective use. Over the last ten years, B.C. Hydro's surplus property inventory has been reduced by about $125 million. In fiscal 1991, B.C. Hydro projects sales of surplus property to generate approximately $41 million. Meanwhile, continued efforts are being made to lease out underutilized properties held for future use in order to minimize the holding costs to B.C. Hydro. Approximately $2 million of lease revenue is projected for fiscal 1991.

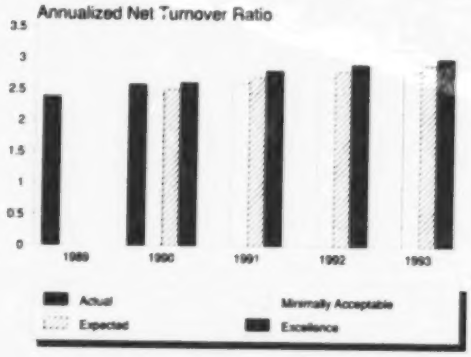
To improve the operational efficiency of the materials management function, new approaches are being developed to improve inventory turnover, increase customer service levels and support the decentralization initiative. A new Materials Management System is being implemented and involves the establishment of a central Materials Distribution Centre in 1990 to work in close partnership with line operations in the Customer Service Group to ensure materials are delivered to the fifty-one customer service locations in the most efficient manner. In addition, a pre-packaging concept, which has the potential to save B.C. Hydro over $350,000 in annual operating costs, is being developed. Pre-packaging involves shipping materials directly from the Materials Distribution Centre or from the supplier, where appropriate, to a job site.

B.C. Hydro will also look to reduce the funds invested in inventory by determining the optimum supply arrangement for civil materials such as duct and vaults. Consideration will be given to eliminating the $1.0 million of civil materials held in inventory . Civil installation contractors and developers would then be responsible for supplying the required materials.

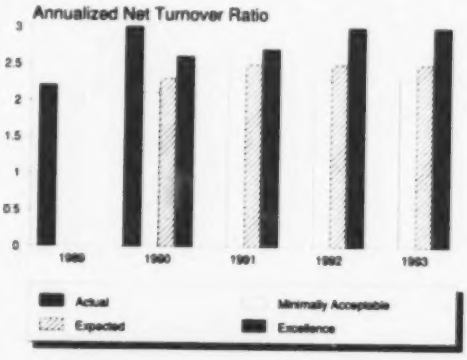
Surplus Property Sales



Store 1 Stock Turnover

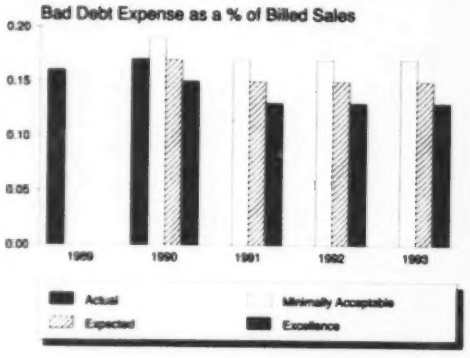


Distribution Stock Turnover



Another important aspect of the asset management initiative is the implementation of a new Advance Billing Plan in 1990. This plan eliminates the need for security deposits, accelerates cash flow and reduces bad debt expense. Under the Advance Billing Plan, certain commercial and residential customers will be billed at the start of each monthly service period for the estimated cost of service. For those commercial customers who participate in the Advance Billing Plan, the requirement for security deposits will be waived. Any customer may voluntarily elect to pay the advance bill within 10 days and earn a discount of 0.75% on the amount billed. The one-time saving achieved due to accelerated cash flow is estimated to be about $358,000. In addition, the improvement in bad debt expense from 0.17% to 0.15% of sales and the elimination of the administrative costs associated with security deposits are expected to result in an annual savings of about $600,000.

Bad Debt Expense



Financial Plan

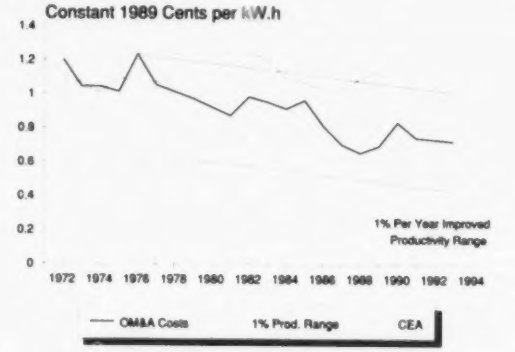
The major issue facing B.C. Hydro in the development of business strategies for this plan is to maintain historical productivity performance by managing the level of operating, maintenance and administration expenses for the next three years. Significant growth in these costs was required in fiscal 1989 and 1990 to bring operating, maintenance and administration programs to more reasonable levels as B.C. Hydro moved out of a restraint period. These expenditures are now considered to be at appropriate levels and during the plan years, emphasis will be placed on increasing productivity to ensure cost effectiveness and control. Over the business planning period, operating, maintenance and administration expenses have been capped at levels equivalent to those of fiscal 1990 except for the increases to maintain a steady-state level of system maintenance. This increase is necessary in order to maintain an aging system and ensure reliable service to our customers.

To the extent possible, spending of both operating and capital funds will be made in a counter-cyclical manner. By focusing on a steady-state level of maintenance and limiting growth in full-time regular staff, it is expected that B.C. Hydro will remain flexible in planning for future expenditures. Expenditure proposals across the plan years will be examined closely to ensure that this flexibility is maintained. This strategy embodies an overall consolidation of the many initiatives undertaken by B.C. Hydro in the past few years, and further efforts will be made to achieve cost effectiveness and efficiency.

Revenues

Total revenues for fiscal 1991 are projected to be $1,835 million. Included in this amount is $1,801 million in domestic electric revenues which represents an increase of 8.0% from 1990, primarily due to the forecasted 4.9% growth in electricity demand and the impacts of the 3.0%

OM&A Unit Cost
Based on Domestic Sales



and 1.5% rate increases effective November 15, 1989 and April 1, 1990 respectively. The 4.9% increase in electricity demand is partly attributable to a return to a normal weather pattern for the forecasted 1991 year compared to the unusually warm year experienced in 1990. Non-electric revenues of $34 million projected for fiscal 1991 include net gains on surplus property sales and other miscellaneous income.

For the 1992 and 1993 fiscal years, total revenues are expected to grow at an average annual rate of 3.7% reflecting the 1.5% annual rate increases and a slower growth in electricity demand due to an expected slowdown in the economy and the impact of Power Smart programs. In fiscal 1993, Power Smart programs are expected to reduce revenues by about $40 million as energy savings begin to reach substantial levels.

The rate increases used for projecting fiscal 1991 and 1992 revenues reflect the May 25,1990 decision of the British Columbia Utilities Commission. For fiscal 1993, a further 1.5% rate increase has been assumed. Based on these rates, the real price of electricity is projected to decline by about 12.0% over the plan years.

Cost of Energy

The cost of energy includes water rentals, energy purchases and the costs associated with the operation of the Burrard thermal generating facility. Over the plan years, the cost of energy is expected to increase at an average annual rate of 6.9% primarily due to higher water rental costs caused by annual indexation, effective January 1,1991.

Expenses

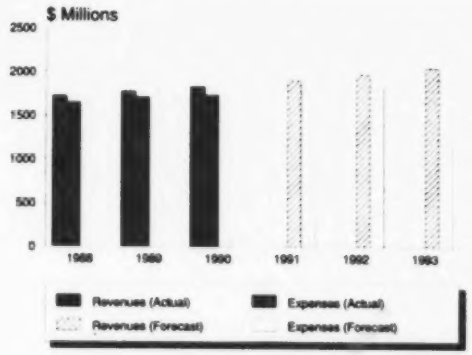
Total expenses, excluding finance charges, are forecasted to increase by 1.1% in fiscal 1991. This represents a decline in real terms when inflation and the larger projected customer base are taken into account. For fiscal 1992 and 1993, these expenses are forecasted to increase by an average of 7.7% per annum.

Considerable emphasis has been placed on controlling the potential for rapid growth in operating, maintenance and administration costs. These costs have increased from $268 million in fiscal 1989 to $349 million in fiscal 1990 partly as a result of our commitment to maintain system reliability. For fiscal 1991, operating, maintenance and administration costs are expected to decrease slightly from the previous year to $347 million, primarily due to a number of non-recurring expenses that were incurred in 1990. For fiscal 1992 and 1993, it is expected that there will be limited real growth in these costs. Overall, unit costs are projected to show only minor increases for the three year period.

Detailed studies conducted in support of the planning process have shown that a backlog of preventative maintenance exists which may require significant resources over the next five years. For purposes of this plan, a relatively steady-state level of maintenance has been assumed and additional funding has not been provided for preventative maintenance backlog as this will be addressed outside of the business planning process. In addition, the cost of the proposed environmental improvement fund is not included in this financial plan.

Taxes are expected to remain fairly stable at $101 million for fiscal 1991 and then increase by approximately 10% to $111 million for fiscal 1992. Water rental credits are expected to contribute to lower taxes for 1993. Depreciation will increase gradually from $202 million in fiscal 1990 to $270 million in fiscal 1993 as a result of additional fixed asset expenditures and the amortization of demand side management costs.

Total Electric Revenues & Expenses



Finance Charges

Finance charges are expected to increase by 3.5% from $768 million in fiscal 1990 to $795 million in 1991. This increase is primarily a result of a higher debt level as well as the expectation that average short-term borrowing rates will remain high at 12.5% for fiscal 1991. For fiscal 1992 and 1993, finance charges are expected to remain relatively stable as the savings from the projected decline in interest rates are offset by the additional costs required to finance the capital expenditure program and the projected decline in the Canadian dollar to 0.80 cents. Both long and short-term interest rates are forecasted to decline over the next three years to reach a level of 9.75% by 1993.

Net Export Income

Income from export sales is expected to decline significantly from $40 million in fiscal 1990 to about $20 million in fiscal 1991 mainly due to a prediction of above average precipitation in the Pacific Northwest which will significantly reduce export potential. For fiscal 1992 and 1993, export income is projected to remain stable at $20 million per year.

Other Income

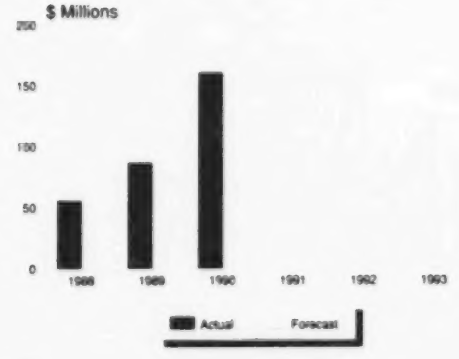
Other income in fiscal 1990 included the $41 million gain on the sale of the Head office building and the $23 million transfer of the remaining reserves in the rate stabalization account to income.

Net Income

Net income is forecasted to remain relatively stable over the next three years at $155 million in both fiscal 1991 and 1992 and $145 million in fiscal 1993. The projections for 1991 and 1992 are significantly lower relative to last year's Business Plan mainly due to higher operating and borrowing costs and lower than planned rate increases. These factors are partially offset by higher revenues from domestic operations.

The rate increases contained in this plan are expected to provide an additional $141 million of revenue over the three plan years. These rate increases are approximately three percentage points below the projected level of inflation.

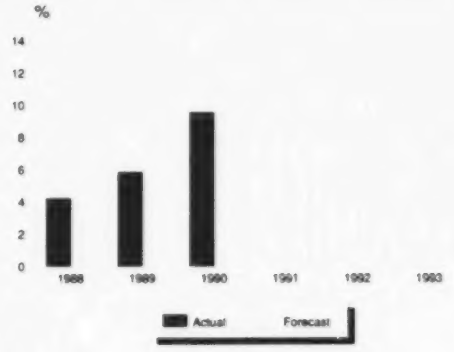
Net Operating Income/Loss
After Rate Stabalization Transfers



Distribution to the Province

Following a distribution of $130 million for fiscal 1990, the plan projects distributions of $105 million, $97 million and $94 million for fiscal years 1991 to 1993 respectively. The return on equity will decline from 9.5% in fiscal 1990 to 7.7% by 1993.

Rate of Return on Equity



Capital Expenditures

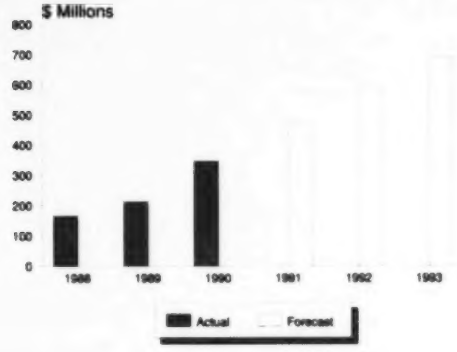
Capital expenditure requirements are expected to increase significantly during the business planning period. From a level of $346 million in fiscal year 1990, expenditures are expected to be $470 million, $585 million and $690 million for the three years of this plan. The major reasons for the high level of capital expenditures are as follows:

- Increased dam safety rehabilitation and remedial work and expansion of transmission facilities, along with the acceleration of Resource Smart programs to increase the efficiency and usage of the electric system.
- Re-development of the System Control Centre.
- A projected 2.0% growth in the number of customers.
- Development of new corporate and regional facilities.

- Major information system development and acquisition of computer equipment to support B.C. Hydro's technology plan, handle the rapid growth in customer volumes and improve service quality.
- Increased expenditures on Power Smart programs.

The forecast of fixed asset expenditures includes a plan to limit total expenditures to the amounts shown in the capital expenditure plan on page 47. The "Expenditure Control" item reflects reductions to future projects which may be achieved through deferral or re-examination when individual project approval decisions become necessary.

Capital Expenditures



Borrowing

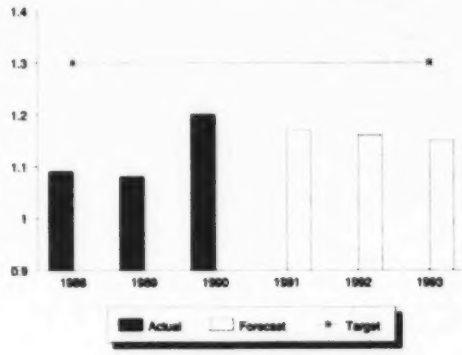
Borrowing is expected to be $500 million, $600 million and $800 million for the three years of the plan. This growth is due to the higher level of debt retirement and the increased capital ependitures over the plan years.

Financial Ratios

The debt to equity ratio is expected to remain unchanged at 80:20 over the plan years. Total debt is expected to increase by $855 million during the plan period, along with an increase of $209 million in equity. The minimum target ratio of 80:20 is expected to be achieved despite the distribution of $296 million to the provincial government.

The interest coverage ratio is expected to decline from 1.20:1 in 1990 to 1.17:1 in 1991, 1.16:1 in 1992 and 1.15:1 in 1993.

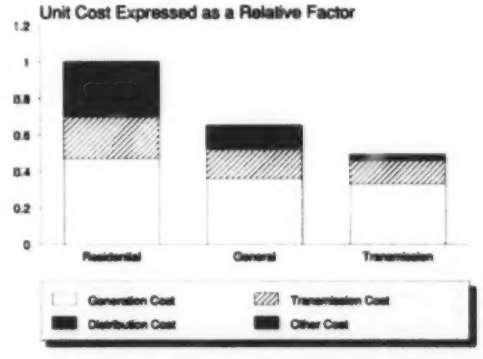
Interest Coverage Ratio



Cost of Servicing Major Customer Classes

Cost is an important consideration in the determination of electricity rates for the various customer classes as each class utilizes the electric system in a different way. For example, residential customers require distribution facilities whereas transmission customers do not. The following graph shows the relative cost breakdown for generation, transmission, distribution and other components for the three major customer classes.

Cost of Service by Customer Class



CONSOLIDATED STATEMENT OF OPERATIONS

for the years ending March 31

(in millions)

	1990	1991	1992	1993
	Projection		Plan	
REVENUES				
Residential	$ 589	$ 615	$ 632	$ 644
General	591	609	626	639
Transmission	416	431	445	465
Other	89	103	98	86
Rate Increases (Note 1)	21	77	109	141
	1,706	1,835	1,910	1,975
Cost Of Energy	229	245	255	280
GROSS MARGIN	1,477	1,590	1,655	1,695
EXPENSES				
Operation, Maintenance and Administration	349	347	378	395
Taxes	102	101	111	100
Depreciation	202	212	236	270
Finance Charges	768	795	795	805
	1,421	1,455	1,520	1,570
OPERATING INCOME FROM DOMESTIC OPERATIONS	56	135	135	125
Export Operating Income	40	20	20	20
Other Income	64	0	0	0
NET INCOME (Note 2)	$ 160	$ 155	$ 155	$ 145
DISTRIBUTIONS to the PROVINCE	$ 130	$ 105	$ 97	$ 94

Note:

1. Rate increases are assumed at 3.0% effective November 15,1989 and 1.5% effective each April 1 thereafter (1990-1992).
2. Financial projections are influenced by assumptions made about interest rates, inflation rates, exchange rates, provincial economic growth etc. The low probable and high probable projected net income based on a range of likely economic outcomes is as follows:

	1991	1992	1993
Low probable Net Income	$120	$105	$95
Most probable Net Income	155	155	145
High probable Net Income	180	190	190

BALANCE SHEET
as at March 31

(in millions)

	1990	1991	1992	1993
	Projection		Plan	
FIXED ASSETS				
Fixed assets in service	$10,822	$11,268	$11,795	$12,164
Less - Accumulated depreciation	2,730	2,992	3,261	3,551
	8,092	8,276	8,534	8,613
Unfinished construction	253	233	205	443
	8,345	8,509	8,739	9,056
CURRENT ASSETS				
Temporary investments	207	99	70	111
Accounts receivable	293	347	361	365
Materials and supplies	45	45	47	48
Prepaid expenses	4	54	56	57
Property held for sale	15	18	23	24
	564	563	557	605
DEFERRED CHARGES				
Foreign currency translation	59	144	161	160
Discount and issue costs	35	33	31	30
Deferred energy cost	30	21	28	27
Power Smart Programs	16	55	102	140
	140	253	322	357
TOTAL ASSETS	$ 9,049	$ 9,325	$ 9,618	$10,018
LONG-TERM DEBT	$ 6,727	$ 7,015	$ 7,236	$ 7,582
CURRENT LIABILITIES				
Accounts payable	243	171	176	170
Accrued interest	272	295	294	286
Distribution payable to the Province	130	105	97	94
	645	571	567	550
DEFERRED CREDITS				
Skagit	46	54	67	80
Columbia River Treaty	323	313	304	295
Contributions in aid of Construction	373	387	401	417
	742	754	772	792
PREFERRED FUNDING	235	235	235	235
RETAINED EARNINGS	700	750	808	859
TOTAL LIABILITIES AND EQUITIES	$ 9,049	$ 9,325	$ 9,618	$10,018

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the years ending March 31

	1991	1992 Plan	1993
	(in millions)		
OPERATING ACTIVITIES			
Operating Income	$ 155	$ 155	$ 145
Distributions to the Province	(130)	(105)	(97)
Depreciation and Amortization	230	253	285
Working capital changes	(120)	22	(10)
Other	9	12	13
Funds provided by operating activities	144	337	336
INVESTING ACTIVITIES			
Fixed asset expenditures	(470)	(585)	(690)
Contributions in aid of construction	34	35	37
Funds used for investing activities	(436)	(550)	(653)
FINANCING ACTIVITIES			
Borrowings	500	600	800
Retirement of long-term debt	(196)	(286)	(306)
Sinking fund changes	(120)	(130)	(136)
Funds provided by financing activities	184	184	358
(DECREASE)/INCREASE IN FUNDS	$ (108)	$ (29)	$ 41

CAPITAL EXPENDITURES PLAN
for the years ending March 31

	(in millions)		
	1991	1992	1993
		Plan	
ELECTRIC SYSTEM PLAN			
Hydraulic Facilities:			
John Hart Generating Station	$ 15	$ 6	$ 1
Dam Safety - Rehabilitation & Remedial Work	4	27	41
Resource Smart Projects :			
Keenleyside Generating Station	2	26	66
Revelstoke Tailrace Improvements	2	4	0
Waneta Generating Station Expansion	0	2	4
Other Programs	1	16	62
Transmission:			
Kelly Lake x Cheekye 500 kV	4	12	32
Williston x Kelly Lake 500 kV	3	8	17
Peace Upgrade 500 kV	3	2	0
Louisiana Pacific 230 kV	4	0	0
Ingledow-Kidd No.2 230 kV	1	1	12
Puget Power Intertie 230 kV	1	1	4
Substations:			
Shunt Capacitors - Lower Mainland	1	5	4
Phase Shift Transformer - Nelway Substation	6	0	0
Lantsville Substation	11	0	0
American Creek Capacitor Station	4	0	0
System Control Centre Redevelopment	10	17	19
Other Projects	67	115	120
TOTAL ELECTRIC SYSTEM PLAN	139	242	382
DISTRIBUTION PLANT	129	126	130
SURVEYS and INVESTIGATIONS	14	8	8
COMPENSATION and MITIGATIONS	4	3	2
OTHER SPECIFIC EXPENDITURES			
Computer Systems And Equipment	46	55	66
New Corporate Offices	50	66	52
Power Smart Programs	35	46	43
Regional Facilities	13	10	15
Vehicle Replacement & Other	49	68	55
Expenditure Control	(9)	(39)	(63)
TOTAL CAPITAL EXPENDITURES	$470	$585	$690

Glossary Of Terms

CAPABILITY - The energy output of a generating station or the integrated system under specified conditions for a given time interval (usually one year).

CAPACITY - Pertaining to the rating of the output from a generating station or the system.

COGENERATION - The simultaneous production of mechanical or electrical energy and useful thermal energy in the form of steam or hot water from a single fuel source.

COORDINATION - Pooling of resources and/or loads between utilities to allow more efficient operation. Coordination, involving joint reservoir management, may increase the annual availability of firm energy from the existing hydroelectric plants in the B.C. Hydro system. It may enable each participating utility to defer new power plant construction.

DEMAND - The amount of electricity required by the system or by the customers.

DEMAND-SIDE MANAGEMENT - Actions that influence energy demand to better match energy supply.

DISTRIBUTION SYSTEM - Refers to facilities (i.e. lines, transformers and switches) used to distribute electricity over short distances from the Transmission System to the customer. Distribution is generally at low voltage (below 69kV).

FIRM ENERGY - The assured energy contribution (kW.h) of generating plants over one year. For the B.C. Hydro system the firm energy capability is based on the average annual energy available during an extended period of adverse stream flows (the critical period).

GIGAWATT HOUR (GW.h) - One million kW.h. B.C. Hydro measures the energy output of generating stations in gigawatt hours (e.g. City of Vancouver uses 4000 GW.h each year).

GENERAL CUSTOMER CLASS - Typically businesses in the light manufacturing/industrial industries as well as service industries that purchase electricity at non-transmission voltages.

INDEPENDENT POWER GENERATION - Electricity generation from an independent or privately-owned facility which is connected to the Hydro system. Includes self-generation and cogeneration where there may be no net sale of electricity to Hydro.

INDEPENDENT POWER PRODUCER - A person or company whose independent generating facility is connected to a utility system such that electricity may be sold to the utility.

INTEGRATED SYSTEM - The interconnected network of transmission lines and substations linking generating stations to one another and to customers. Also representing that portion of the B.C. Hydro electric system capable of being operated on a coordinated basis.

INTEREST COVERAGE RATIO - A financial performance indicator that measures the extent to which net income contributes toward the ability to meet gross interest payments.

LOAD - The amount of electricity required by a customer or group of customers.

MEGAWATT - One thousand kW, commonly used to measure the capacity of generating stations.

POWER SMART - Collective name given to B.C. Hydro's strategy to improve the efficiency of electricity use. The reduction in future additional demand will help to defer large capital outlays and finance charges associated with new power plant construction.

RESIDENTIAL CUSTOMER CLASS - All single electric metered dwellings occupied by customers and used as residences.

RESOURCE SMART - Collective name given to B.C. Hydro's strategy of ensuring that full economic use is made of the capacity and energy potential of its existing facilities so that major new project construction may be deferred as long as possible.

SECONDARY ENERGY - The energy that is available when water conditions are such that there is more than enough water in the reservoirs to meet firm requirements of regular customers. Secondary energy is not guaranteed to always be available.

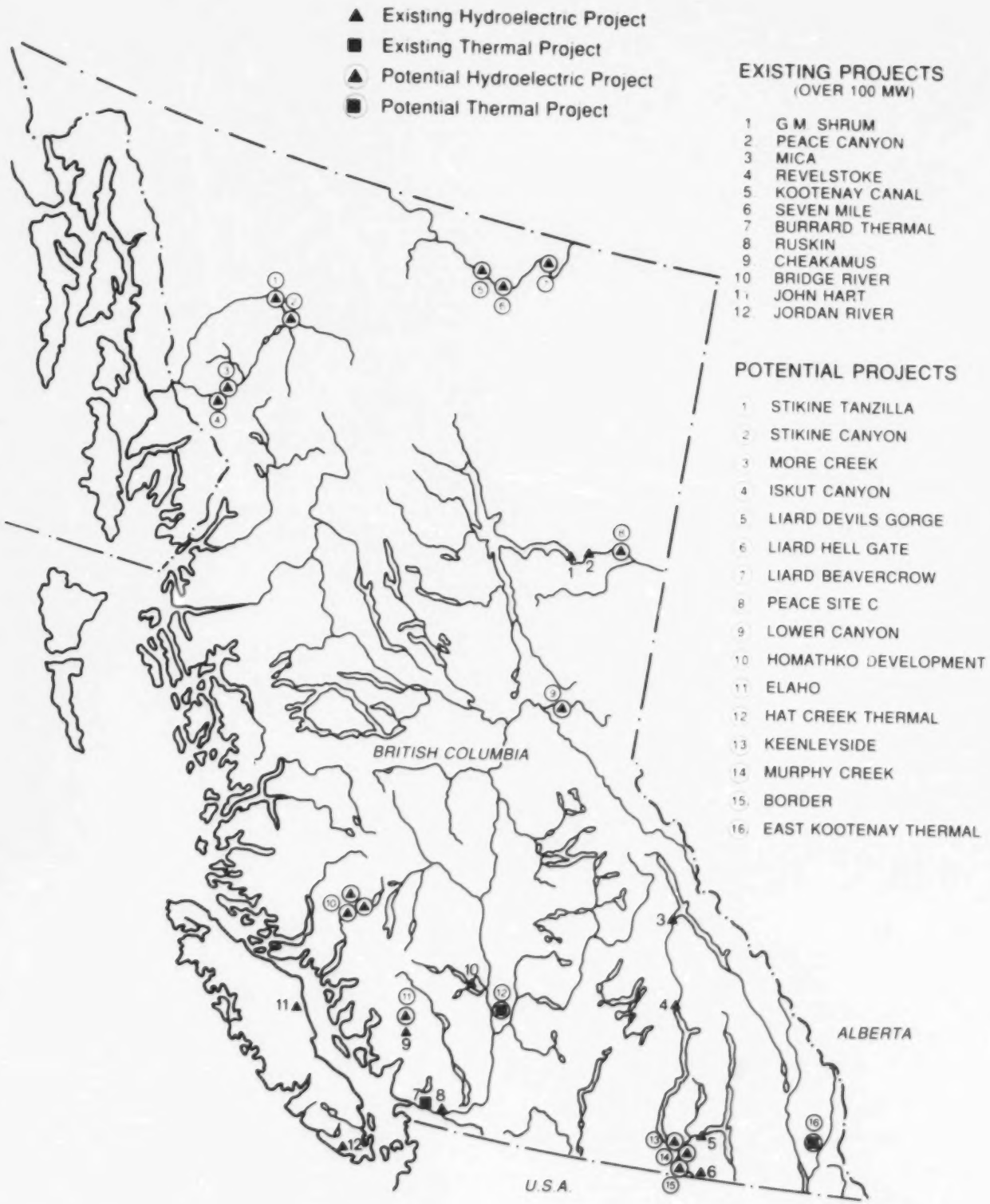
SUPPLY-SIDE OPTIONS - Generic descriptions of all alternatives that increase generation output, such as new generation projects, coordination and purchases, and improvements to existing facilities.

TRANSMISSION CUSTOMER CLASS - Typically businesses in the heavy manufacturing industries including pulp and paper, wood products, mining, metals and coal, and chemical and petroleum that purchase electricity at transmission voltages.

TRANSMISSION SYSTEM - refers to those facilities (i.e. lines, transformers and switches) used to transport electricity in bulk from sources of supply to the Distribution System. Transmission is generally at high voltage (69kV and above).

WATER LICENCE FEE - Annual payment to the provincial government in respect to the amount of electricity generated, the acres of land flooded, the installed plant capacity plus other charges for storage, etc. Also known as water rental fees.

B.C. HYDRO
LOCATION MAP FOR
MAJOR GENERATION PROJECTS



EXISTING PROJECTS
(OVER 100 MW)

1. G.M. SHRUM
2. PEACE CANYON
3. MICA
4. REVELSTOKE
5. KOOTENAY CANAL
6. SEVEN MILE
7. BURRARD THERMAL
8. RUSKIN
9. CHEAKAMUS
10. BRIDGE RIVER
11. JOHN HART
12. JORDAN RIVER

POTENTIAL PROJECTS

1. STIKINE TANZILLA
2. STIKINE CANYON
3. MORE CREEK
4. ISKUT CANYON
5. LIARD DEVILS GORGE
6. LIARD HELL GATE
7. LIARD BEAVERCROW
8. PEACE SITE C
9. LOWER CANYON
10. HOMATHKO DEVELOPMENT
11. ELAHO
12. HAT CREEK THERMAL
13. KEENLEYSIDE
14. MURPHY CREEK
15. BORDER
16. EAST KOOTENAY THERMAL

B.C. HYDRO INTEGRATED SYSTEM
TRANSMISSION ADDITIONS
TO YEAR 2000